

City of Santa Barbara California



Comprehensive Annual Financial Report



Fiscal Year Ended June 30, 2008

City of Santa Barbara, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2008

Prepared Under the Supervision of

Robert D. Peirson
Finance Director



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Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2008

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City of Santa Barbara

Finance Department

www.ci.santa-barbara.ca.us

December 9, 2008

Accounting

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Administration

805.564.5334

Duplications/Mailroom

805.564.5360

Licenses & Permits

805.564.5346

Payroll

805.564.5357

Risk Management

805.564.5347

Treasury

805.564.5337

Utility Billing

805.564.5343

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PO Box 1990

Santa Barbara, CA

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Purchasing

805.564.5349

Warehouse

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Fax

805.897.1977

310 E. Ortega St.

PO Box 1990

Santa Barbara, CA

93102-1990

Honorable Mayor, Members of the City Council, and Citizens of the City of Santa Barbara

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) of the City of Santa Barbara for the fiscal year ended June 30, 2008, in accordance with Section 1219 of the City Charter. The report was prepared by the City's Finance Department and responsibility for the accuracy of the data, the completeness and fairness of the presentation, and all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the City.

This report consists of management's representations concerning the finances of the City. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with Generally Accepted Accounting Principles (GAAP).

The City Charter requires an annual audit of the City's financial statements by an independent certified public accountant. Caporicci & Larson, Certified Public Accountants, has issued an unqualified opinion on the City's financial statements for the fiscal year ended June 30, 2008. The independent auditors' report is located on pages 9-10 within the financial section of this report. The CAFR has been prepared using the financial reporting requirements as prescribed by Government Accounting Standards Board (GASB) Statement No. 34. GASB 34 requires that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found beginning on page 11.

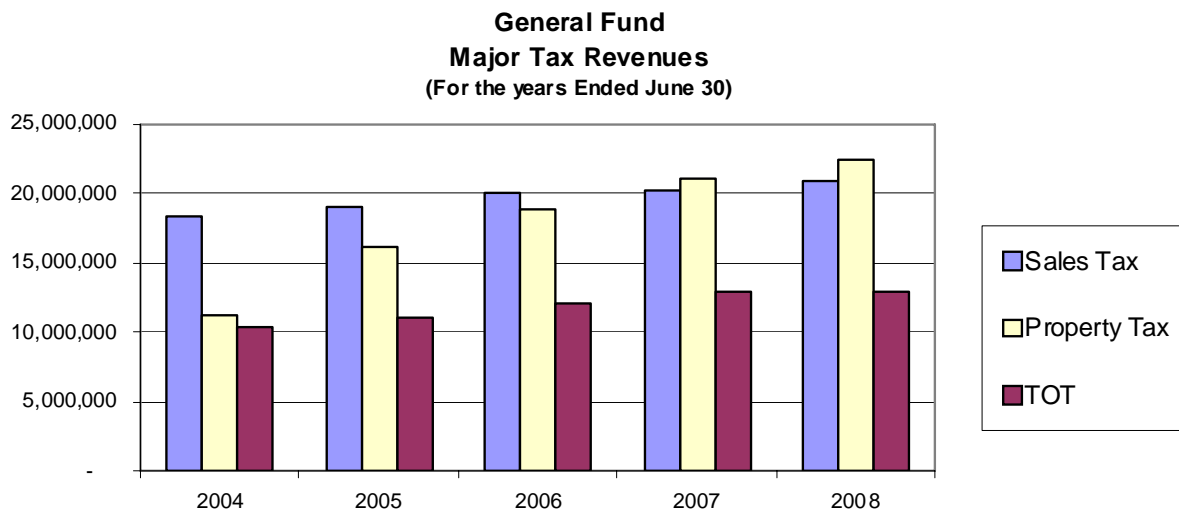
PROFILE OF THE CITY OF SANTA BARBARA

The City of Santa Barbara is located between the Santa Ynez Mountains and the Pacific Ocean. Santa Barbara offers year-round sunshine, miles of beaches, a colorful history dating back to the Chumash Indian tribes, a rich Spanish heritage, gourmet dining, and spectacular parks; it is often referred to as the American Riviera. The City was incorporated in August of 1850 and today serves a population of 90,305. The City provides a wide range of services to its citizens. These services include police and fire protection; the construction and maintenance of highways, streets, traffic signals and infrastructure; recreational activities and cultural events; parks; parking facilities; water; wastewater; library; airport; harbor; golf course; community development; and general administration.

The City also provides services through the Redevelopment Agency (RDA), which is a blended component unit of the City. Therefore, the RDA is included in the overall reporting entity presented in the accompanying CAFR. However, the RDA remains separate from the City for all legal purposes and also issues its own separate annual financial report. No express or implied assumption by the City of any liability for the RDA is to be inferred by its inclusion in the CAFR. The RDA's separately issued CAFR is available on the City's web site at: www.SantaBarbaraCa.gov/government/finance.

LOCAL ECONOMY

The City offers a wide range of cultural, recreational and leisure events and activities, set between a beautiful mountain range and spectacular beaches. It also offers a host of dining experiences, shops and accommodations. To the north, the Santa Ynez Valley is home to many wineries that draws thousands of people to Santa Barbara County each year interested in wine tasting and tours.



As a tourist destination, the City's key revenues that pay for basic services, including public safety, library, parks and recreation, are tied to the health of the national, state and local economies. For example, both sales tax and transient occupancy tax (TOT) revenues, which together make up one-third of total General Fund revenues, are directly tied to economic swings. Property tax revenues, making up 20% of total revenues, are also tied to economic conditions, but have traditionally been less volatile than sales tax and TOT revenues.

The entire country is now in the midst of one of the worst economic downturns in recent history, which has had a significant impact on state and local finances. This is the third economic downturn since 1990 and, in each case, City sales tax and TOT revenues either declined or grew well below historic growth rates. Property values are now declining as they did in the recession of the early 1990's. Consequently, we expect property tax revenues to grow just 3.7% next fiscal year compared to an average growth rate of 8% in the last eight fiscal years.

The mortgage crisis that has swept the nation has affected home sales, new construction and remodels, all of which boomed over the last few years when interest rates were low and financing was easy to obtain. With the demand for housing down, and financing options severely restricted, both residential and commercial development has dropped off dramatically. Home improvement projects, which were largely financed from loans secured by the increased value of homes, have also fallen sharply. All of this directly affects City revenues tied to building activities, including planning and building fees, which in the first quarter of fiscal year 2009 are well below budget and are expected to end the year almost \$1 million below budget.

The local economy and City operations are facing very challenging times. As with all economic recessions, this current crisis will eventually be resolved and the local economy will eventually recover. In the meantime, the City is facing significant projected deficits beginning in fiscal years 2009 caused by declines in revenues, as described above. These projected deficits will require reductions to services provided to the community to re-balance the General Fund. As always, the City will make adjustments in a manner that preserves critical services, such as police and fire, so that the community's safety is not compromised.

FINANCIAL CONTROLS

The City's management is responsible for establishing and maintaining a system of internal controls designed to ensure that the City's assets are protected from loss, theft or misuse. The City's system of internal controls must also ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with GAAP. The City's system of internal controls is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. We believe that the City's system of internal controls adequately safeguards assets and provides reasonable assurance as to the proper recording of financial transactions. The City's internal controls are subject to periodic evaluation by the City's management.

Single Audit

As a recipient of federal assistance, the City is responsible for maintaining a system of internal controls that will ensure compliance with applicable laws and regulations related to those federal programs. As part of the City's federal single audit, tests are made to determine the adequacy of the internal controls, including that portion relating to federal financial assistance. The single audit also seeks to determine whether the City has complied with, in all material respects, all applicable laws and regulations that could have a direct or material effect on a "major" grant program. The single audit did not encounter any instances of non-compliance or material weaknesses in the City's internal controls over financial reporting.

Budgetary Controls

The City maintains budgetary controls designed to ensure compliance with the legal provisions contained in the annual budget approved by the City Council. The level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is at the department level for the General Fund and at the fund level for all other legally adopted budgets.

The City maintains a formal, integrated encumbrance accounting system as one means of ensuring budgetary control. Purchase orders that would result in an overrun of department appropriations at a major object category level are not released until additional funds have been appropriated. Appropriations for encumbrances outstanding at year-end are carried over and re-appropriated in the following fiscal year.

OTHER INFORMATION

Cash Management

Cash temporarily idle during the year was invested in demand deposits, money market funds, certificates of deposit, corporate notes, federal agencies, treasuries, and the State of California's Local Agency Investment Fund (LAIF). On June 30, 2008, the City's investments had an average maturity of approximately 1.75 years and a book yield of 4.39%. As interest rates changed, the market value of investments held was modified accordingly; however, because the City holds all securities to maturity, interim gains and losses are not realized as the securities are redeemed at par upon maturity.

Risk Management

The City is partially self-insured for workers' compensation and general and automobile liability claims, and fully self-insured for unemployment claims. Insurable property is covered for all risks by policies with a pooled aggregate limit of \$1 billion per occurrence. An earthquake and flood limit of \$50 million per occurrence is included as well. Various unique risks such as airport liability, marine hull protection and indemnity, fidelity, and boiler and machinery are insured as well.

The City is a member of the Authority of California Cities Excess Liability (ACCEL) for the purpose of pooling various liability risks. The City's self-insured retention (SIR) for general and automobile liability is \$1 million. ACCEL pools the next \$4 million and members now jointly purchase \$30 million of coverage above their respective SIR's from the commercial market. The City's self-insured retention for workers' compensation is \$750,000. An indemnity policy provides limits of \$30 million in excess of the City's self-insured retention and a \$4 million pooled layer. Employers' Liability is also included with limits of \$5 million.

City management evaluates rates charged to user departments and adjusts them annually to fully accumulate the funds needed in the City's Self-Insurance Fund to meet catastrophic losses that may potentially arise.

Spending Limitation

Article XIII B of the California Constitution, also known as the Gann spending limit, restricts the amount of "proceeds of taxes" California governments may spend. As of June 30, 2008, the City had not reached its Article XIII B spending limitation.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Santa Barbara California for its comprehensive annual financial report for the fiscal year ended June 30, 2007. This was the fifth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

The preparation of this CAFR could not have been accomplished without the hard work and team effort of the Finance Department. We would like to express appreciation to the Finance Department and other City departments that provided assistance and support.

Respectfully submitted,



James L. Armstrong
City Administrator/
Clerk/Treasurer



Robert D. Peirson
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Santa Barbara
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Charles S. Cox

President

Jeffrey R. Emer

Executive Director

CITY OF SANTA BARBARA
Directory of City Officials
June 30, 2008

Marty Blum
Mayor

Grant R. House
Councilmember

Helene Schneider
Councilmember

Roger L. Horton
Councilmember

Das Williams
Councilmember

Iya G. Falcone
Councilmember

Dale Francisco
Councilmember

James L. Armstrong
City Administrator/Clerk/Treasurer

Stephen P. Wiley
City Attorney

Robert D. Peirson
Finance Director

Karen S. Ramsdell
Airport Director

Nancy L. Rapp
Parks and Recreation Director

Irene Macias
Library Director

Camerino Sanchez
Police Chief

Ron A. Prince
Fire Chief

Paul A. Casey
Community Development Director

Christine Andersen
Public Works Director

Joan M. Kent
Assistant City Administrator

John N. Bridley
Waterfront Director

Marcelo Lopez
Administrative Services Director

CITY OF SANTA BARBARA
Advisory Boards and Commissions
June 30, 2008

Charter Boards and Commissions

Membership

Airport Commission	7
Architectural Board of Review	9
Civil Service Commission	5
Fire and Police Commission	5
Fire and Police Pension Commission	5
Harbor Commission	5
Historic Landmarks Commission	9
Library Board	5
Park Commission	5
Planning Commission	7
Recreation Commission	5
Water Commission	5

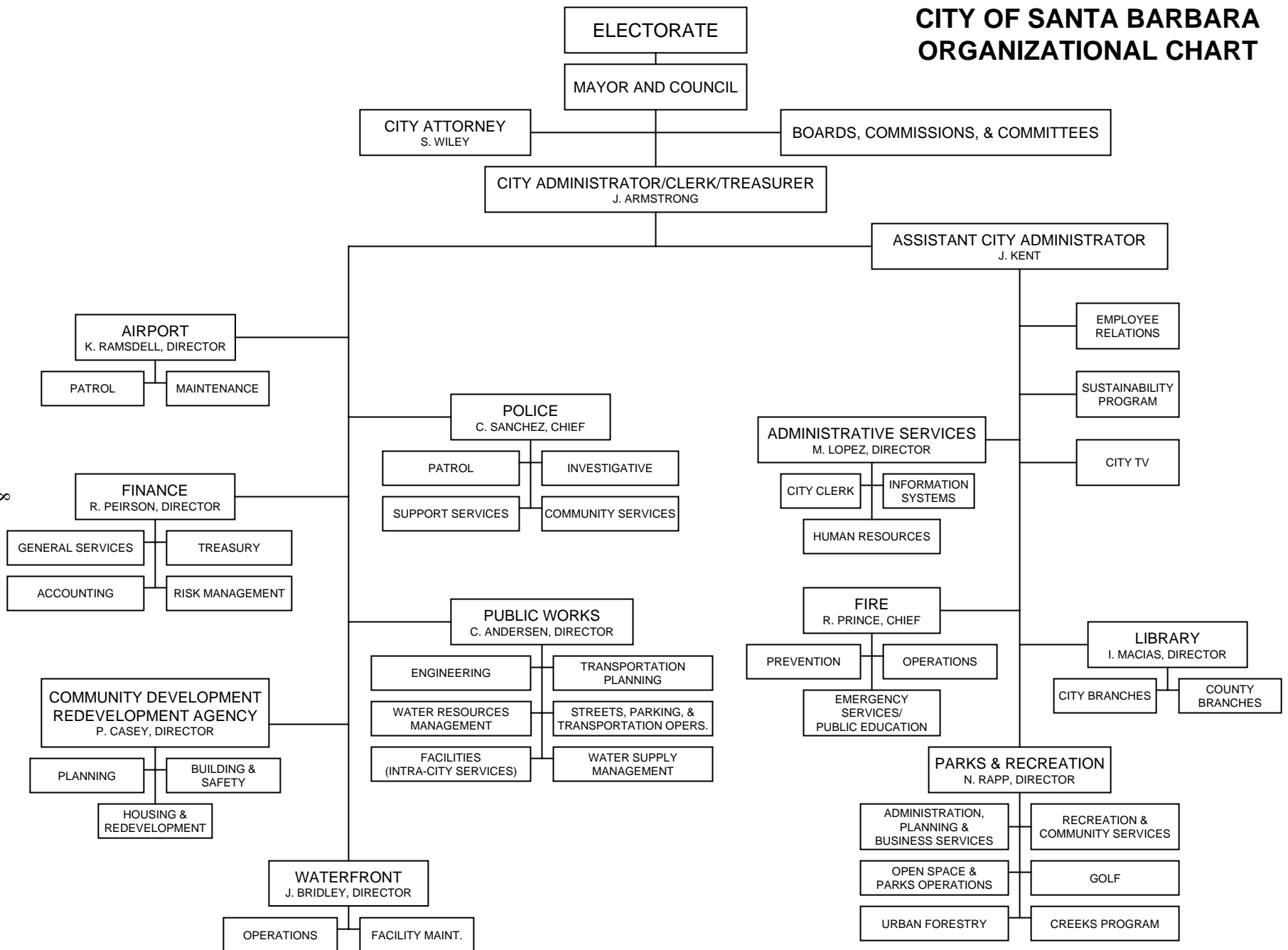
Committees and Commissions

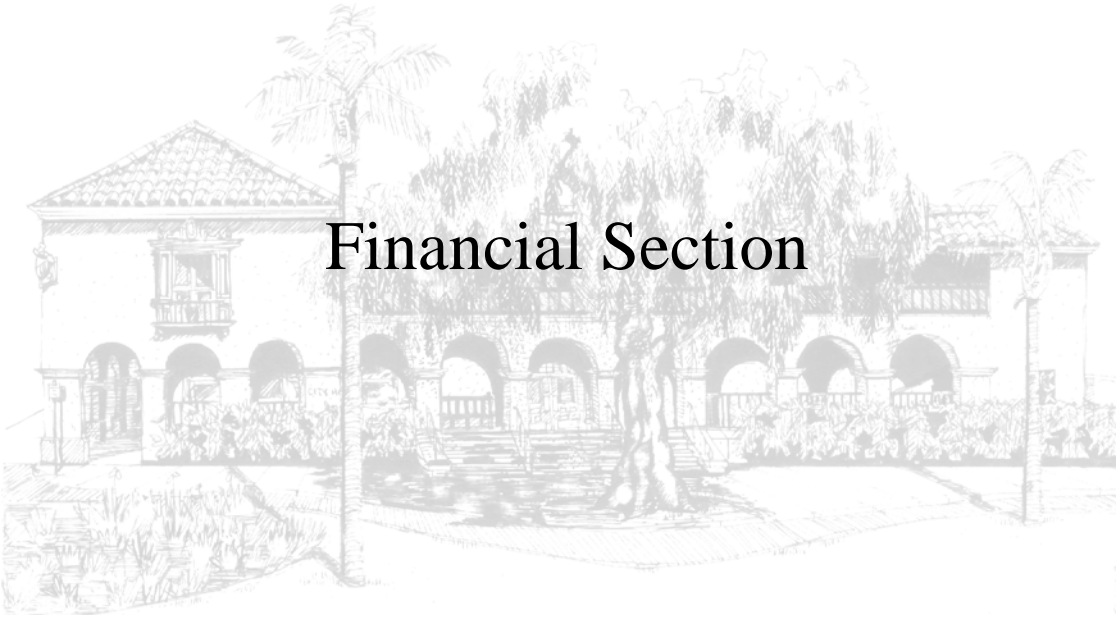
Arts Advisory Committee	7
Building and Fire Code Board of Appeals	8
Community Development and Human Services Committee	13
Community Events and Festivals Committee	7
Creeks Advisory Committee	7
Downtown Parking Committee	7
Franklin Center Advisory Committee	7
Living Wage Advisory Committee	7
Lower Westside Center Advisory Committee	7
Measure P Committee	7
Rental Housing Mediation Task Force	15
Sign Committee	5
Single Family Design Board	7
Sister Cities Board	3
Transportation and Circulation Committee	7
Westside Center Advisory Committee	7

Other Advisory Bodies

Central Coast Commission for Senior Citizens	1
Housing Authority Commission	7
Metropolitan Transit District Board	2
Mosquito and Vector Management District Board	1

CITY OF SANTA BARBARA ORGANIZATIONAL CHART





INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
of the City of Santa Barbara
Santa Barbara, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Santa Barbara, California (City), as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Subsequent to the basic financial statement date of June 30, 2008 and the year then ended, the United States has entered into a Financial Credit Crisis. Although the United States Federal Government has taken actions which, at least in part, are intended to relieve and correct this Financial Credit Crisis, investments are subject to significant impairment and losses. To date, the City has not been informed and is not aware of any investment losses. Accordingly, such investment losses, if any, have not been reflected in the accompanying basic financial statements.

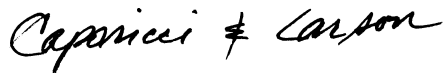
In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with generally accepted accounting principles in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2008 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

To the Honorable Mayor and Members of the City Council
of the City of Santa Barbara
Santa Barbara, California
Page 2

The accompanying Required Supplementary Information, such as Management's Discussion and Analysis, budgetary comparison information and other information, is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit and express no opinion on the Required Supplementary Information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Supplementary Information is presented for purpose of additional analysis and is not a required part of the basic financial statements. The Supplementary Information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Irvine, California
November 24, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2008

This section of the City's Comprehensive Annual Financial Report presents an overview of the City's financial activities for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have included in our letter of transmittal, which can be found on pages 1-4 of this report.

FINANCIAL HIGHLIGHTS

- At the end of fiscal year 2008, net assets of the City totaled \$819.1 million, an increase of approximately \$39.9 million from the prior year. Of the total net assets, \$124.7 million is unrestricted and thus may be used to meet the City's ongoing obligations to citizens and creditors.
- As of June 30, 2008, the City's governmental funds reported combined ending fund balances of \$146.6 million, an increase of \$2.3 million from prior year.
- Approximately 14% of the combined fund balance of the governmental funds is unreserved and therefore available for spending at the City's discretion.
- As of June 30, 2008, unreserved fund balance in the General Fund was \$18 million, equating to approximately 17.3% of total General Fund expenditures.

OVERVIEW OF FINANCIAL STATEMENTS

The City's basic financial statements are comprised of three components: (1) Government-wide Financial Statements, (2) Fund Financial Statements, and (3) Notes to the Basic Financial Statements. Each of these sections is discussed below.

Government-wide Financial Statements

The Government-wide Financial Statements are designed to present financial information about the City as a whole in a manner similar to the private sector, including the use of accrual-based accounting to recognize its revenues and expenses. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely primarily on user fees and charges to fund their operations. Governmental activities include those traditionally associated with local government, such as public safety (fire and police), community development, public works, library, parks and recreation, and general government (administrative) functions. Business-type activities include the City's utility operations (water and wastewater), the City's municipal airport, the waterfront/harbor, downtown parking, and golf course.

The Statement of Net Assets presents all City assets, including capital assets, and all related current liabilities and long-term debt obligations. The difference between total assets and total liabilities is presented as "Net Assets," which serves as a measure of the financial health of the City. Over time, an increase in net assets generally indicates that the financial health of the City is improving.

The Statement of Activities provides the details of how the City's net assets changed during the fiscal year. Decreases in net assets are presented as "Expenses;" increases in net assets are presented as "Revenues." Revenues directly attributable to a particular function or program within the City are presented as "Program Revenues." Tax revenues, including those restricted to a particular program function, are reported as "General Revenues" unless specifically required to be reported as program revenues (i.e. gas and transportation taxes).

Fund Financial Statements

The City, like other state and local governments, uses fund accounting for recording its financial activities. In general, fund accounting provides a mechanism to separately account for a variety of different funding sources and enables the City to demonstrate compliance with legal and/or contractual requirements that may be associated with these funds. Thus, the accompanying fund financial statements present individual funds, organized into one of three groups based on the nature of the activities and their purpose: Governmental,

Proprietary, or Fiduciary Funds. Note that the fund financial statements only present information on the most significant (i.e., “major”) funds on the face of the statement. Nonmajor funds are grouped and presented in total on the face of the statements. In addition, the fund financial statements include a schedule that reconciles the fund financial statements to the government-wide financial statements. This is designed to explain the differences created by the integrated approach.

Governmental Funds – Most of the City’s basic services are reported in governmental funds. Governmental funds include the General Fund, Special Revenue, Capital Projects, and Debt Service funds. In the fund financial statements, all governmental fund types are reported using the modified accrual basis of accounting, whereby revenues are generally recognized when measurable and available to finance current operating costs, and expenditures are recognized when the related liability is incurred. In addition, the focus is on inflow (revenue) and outflow (expenditures) of *current financial resources*. As such, the balance sheets of governmental funds are intended to present only short-term assets and liabilities.

The fund financial statements include separate columns, by fund type, for all “major” governmental funds of the City. All “nonmajor” governmental funds are consolidated into a single column labeled “Other Governmental Funds”. The details of these funds are included in the Combining and Individual Fund Statements and Schedules located in the Financial Section of this Report.

Proprietary Funds – Proprietary funds are used to account for services provided to external customers or other City departments and funds that are primarily funded from user fees and charges. Proprietary funds use the accrual basis of accounting and measure the balance and change in *total economic resources*. Accordingly, balance sheets of proprietary funds include *all* assets and liabilities, including long-term receivables, capital assets, and long-term liabilities. The basis of accounting and measurement focus used to prepare proprietary fund statements is the same that is used to prepare the government-wide statements. Thus, the proprietary fund statements provide the same, but more detailed, information about these funds, which are included in the “Business-Type Activity” column of the government-wide statements.

Proprietary funds include enterprise funds and internal service funds. The City uses enterprise funds to account for its Water, Wastewater, Airport, Golf, Downtown Parking, and Waterfront/harbor operations. Internal service funds are used by the City to account for its intra-city services (motor pool, building maintenance, custodial, and communications), information systems, and self-insurance funds.

Fiduciary Funds – Fiduciary funds are used to account for resources held by the City as trustee on behalf of other agencies or individuals. Fiduciary funds are not presented in the government-wide statements, as their resources are not available to support the operations of the City.

Notes to the Basic Financial Statements

The notes to the financial statements provide information that is essential to a full understanding of the data provided in the Government-wide and Fund Financial Statements.

Other Information

In addition to the basic financial statements and related notes, this report also presents certain required supplementary information concerning the City’s progress in funding its obligation to provide pension benefits to its employees; budgetary comparison schedules for the General Fund and each major special revenue fund; and schedules and disclosures of the modified approach for reporting the City’s infrastructure.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City has presented its financial statements under the reporting model required by Governmental Accounting Standards Board Statement No. 34 (GASB 34). The following analysis of the Government-Wide statements includes a comparison between current and prior year results of operations and year-end balances.

Governmental Activities

Statement of Net Assets

Table 1 below summarizes the Statement of Net Assets for Governmental Activities as of June 30, 2008, with comparative totals as of June 30, 2007.

Table 1 Statement of Net Assets Governmental Activities As of June 30, 2008 and 2007		
	2008	2007
Assets:		
Current and other assets	\$ 185,463,514	\$ 182,614,450
Capital assets (net of depreciation)	359,321,609	349,725,255
Total Assets	544,785,123	532,339,705
Liabilities:		
Current and other liabilities	18,679,103	17,150,626
Long-term liabilities	80,123,919	87,942,982
Total Liabilities	98,803,022	105,093,608
Net Assets:		
Invested in capital assets, net of related debt	319,070,084	305,449,066
Restricted	89,964,064	85,568,821
Unrestricted	36,947,953	36,228,210
Total Net Assets	\$ 445,982,101	\$ 427,246,097

As shown in Table 1, total assets of Governmental Activities were \$544.8 million at June 30, 2008, including \$359.3 million in capital assets (net of depreciation).

Of the total \$185.5 million in current assets, \$116.9 million consists of pooled cash and investments, as well as cash and investments with fiscal agents. All pooled cash is invested in accordance with State law and the City's investment policy, and includes funds legally and/or contractually restricted as to their use.

Long-term liabilities at June 30, 2008 include tax allocation bonds issued by the City's Redevelopment Agency, certificates of participation issued by the City, and estimated self-insurance claims payable (see the Capital Asset and Debt Administration section for more detailed discussion of outstanding long-term debt). Long-term liabilities decreased by \$7.8 million this year. This is primarily attributable to scheduled principal payments of \$5.1 million made on outstanding debt during the year and approximately \$3 million reduction in the City's self-insured claims liabilities.

Net assets totaling \$446 million include approximately \$90 million subject to external restrictions. Net assets also include approximately \$37 million in unrestricted net assets that are available for discretionary spending, although a portion is designated for emergencies and economic uncertainties pursuant to reserve policies adopted by City Council in 1996.

Statement of Activities

As discussed earlier, the Statement of Net Assets provides a measure of the financial health of an entity at a specific date in time (i.e., year end). The Statement of Activities provides details of how net assets changed from the beginning of the year to the end of the year. Thus, it indicates whether the governmental activities of the

City as a whole are better off at June 30, 2008, than they were at June 30, 2007. For the fiscal year ended June 30, 2008, total net assets increased by approximately \$18.7 million.

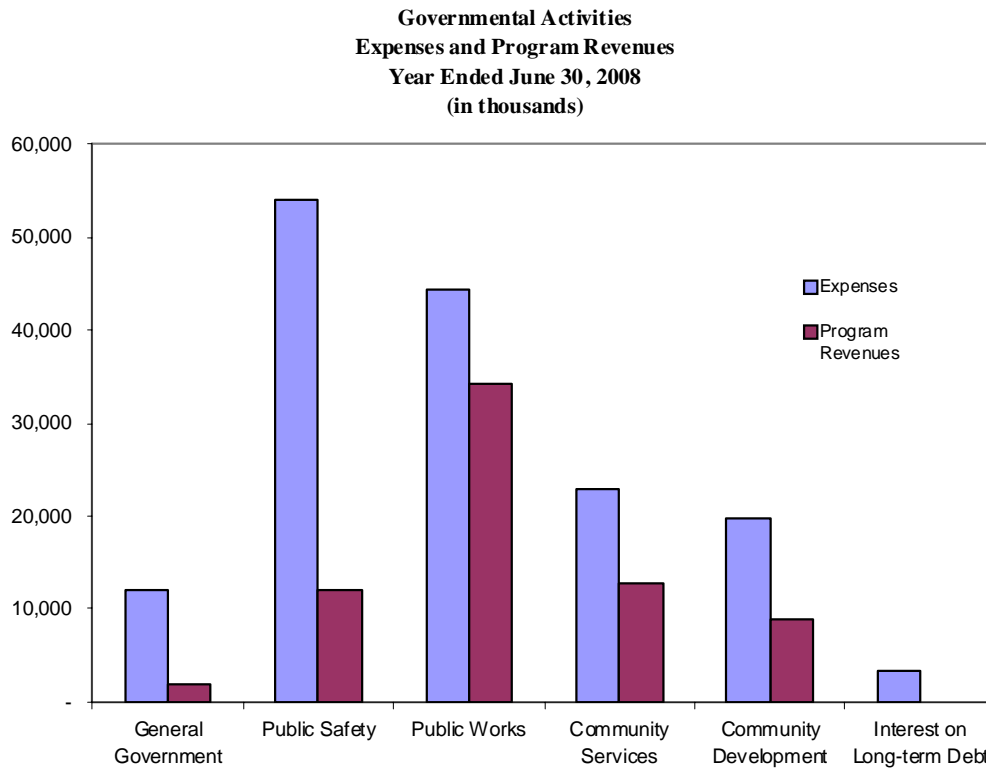
Table 2 below summarizes the Statement of Activities for Governmental Activities for the fiscal year ended June 30, 2008, with comparative totals for the fiscal year ended June 30, 2007.

Table 2 STATEMENT OF ACTIVITIES Governmental Activities Fiscal Years Ended June 30, 2008 and 2007		
	2008	2007
Revenues:		
Program Revenues:		
Charges for service	\$ 45,966,221	\$ 43,924,992
Operating grants and contributions	15,099,483	15,979,223
Capital grants and contributions	8,732,919	4,178,108
General Revenues:		
Taxes	92,109,877	89,199,765
Franchise fees	3,181,287	3,582,547
Motor vehicle license fees	417,569	853,447
Investment income	6,643,125	4,761,981
Other revenue	3,862,329	3,111,512
Total revenues	<u>176,012,810</u>	<u>165,591,575</u>
Expenses:		
Program Expenses:		
Administration	12,196,570	12,328,958
Public safety	54,394,795	51,186,323
Public works	44,527,891	45,284,471
Community services	22,982,993	22,031,786
Community development	19,948,382	17,939,197
Interest expense	3,408,205	3,809,541
Total expenses	<u>157,458,836</u>	<u>152,580,276</u>
Increase in Net Assets Before Transfers	18,553,974	13,011,299
Transfers in	<u>182,030</u>	<u>686,564</u>
Increase in Net Assets	18,736,004	13,697,863
Net Assets, July 1	427,246,097	413,548,234
Net Assets, June 30	<u>\$ 445,982,101</u>	<u>\$ 427,246,097</u>

Revenues of Governmental Activities totaled \$176 million for the fiscal year ended June 30, 2008. Of this total, \$92.1 million (52%) was derived from taxes, including sales tax, transient occupancy tax, utility user's tax, and property tax revenues. This is consistent with the nature of governmental activities, which includes services traditionally financed from general tax revenues. Approximately \$46 million (26%) of total revenues were derived from charges for services, representing fees charged for various services, such as recreation, planning, building, library, solid waste, and engineering, as well as services provided by General Fund departments to other funds. Revenues derived from fees and charges help support programs largely subsidized from general tax revenues and, thus, reduce the burden on these limited resources.

Total revenues increased by approximately \$10.4 million (6%) from the prior year, from \$165.6 million to \$176 million. Charges for services increased \$2 million, capital grants and contributions increased \$4.6 million, and tax revenues increased \$2.9 million from the prior year.

Expenses for the year totaled approximately \$157.5 million. The largest component of total expenses was for public safety (fire and police), representing \$54 million (34.5%) of the total. Community Services expenses, which include parks, recreation, and library services, totaled \$22.9 million, and Public Works expenses totaled \$44.5 million. Depreciation accounted for approximately \$3.7 million of the total Public Works expenses.



Overall expenses increased by approximately \$4.8 million from the prior year, which is primarily attributable to increased salary & benefit costs. Expenses for streets and road maintenance were comparable to the prior year. Under the Modified Approach (see page 85 of this report) used by the City for streets and road construction, maintenance and repairs, these expenses are not capitalized but shown as expenses on the Statement of Activities.

Business-Type Activities

Statement of Net Assets

Table 3 below summarizes the Statement of Net Assets of Business-Type Activities as of June 30, 2008, with comparative totals as of June 30, 2007.

As previously indicated, business-type activities include the City's operations in the Water, Wastewater, Airport, Golf, Waterfront, and Downtown Parking Enterprise Funds. These operations are highly capital intensive, devoting a significant portion of their financial resources to the maintenance and replacement of major capital equipment and facilities. This is evidenced by the higher proportion of capital assets to total assets in relation to funds included within the Government Activities category shown in Table 1. In fact, of the \$479.8 million in total assets at June 30, 2008, approximately \$366.9 million (76.5%) relate to capital assets. The increase of \$15.9 million is a result of capital improvements made during the year that were funded from capital grants, operating revenues, and/or accumulated reserves for several major projects including: renovations to the wastewater treatment & collection system, on-going water main replacements, and airport terminal expansion & safety improvement projects.

Table 3
Statement of Net Assets
Business-Type Activities
As of June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets:		
Current and other assets	\$ 112,953,816	\$ 116,199,476
Capital assets (net of depreciation)	<u>366,889,321</u>	<u>350,955,167</u>
Total Assets	<u>479,843,137</u>	<u>467,154,643</u>
Liabilities:		
Current and other liabilities	15,167,321	19,445,374
Long-term liabilities	<u>91,582,245</u>	<u>95,796,611</u>
Total Liabilities	<u>106,749,566</u>	<u>115,241,985</u>
Net Assets:		
Invested in capital assets, net of related debt	275,593,610	255,451,180
Restricted	9,783,482	12,302,261
Unrestricted	<u>87,716,479</u>	<u>84,159,217</u>
Total net Assets	<u>\$ 373,093,571</u>	<u>\$ 351,912,658</u>

In total, net assets of the business-type activities increased by \$21.2 million for the year ended June 30, 2008. All categories of net assets have a positive balance, which means that, as a whole, the individual funds comprising the business-type activities have sufficient current assets to satisfy both current and long-term liabilities, and still have assets remaining for discretionary spending. In short, the funds included within this category are in excellent financial condition. Overall, unrestricted net assets of the business-type activities increased \$3.6 million this fiscal year. While the unrestricted net asset change varies between funds, the increase is primarily due to activities in the Water and Wastewater Funds. Unrestricted net assets in the Water, Wastewater, and Nonmajor proprietary funds increased \$4.5 million, \$1.2 million, and \$960,000, respectively. These increases were offset by a \$6.6 million decrease in the Airport Fund. Unrestricted Airport net assets decreased due to the large construction projects that are under way for safety improvement areas and expansion of the airport terminal.

Statement of Activities

Table 4 summarizes the Statement of Activities for Business-Type Activities for the fiscal years ended June 30, 2008 and June 30, 2007.

Total revenues for the fiscal year ended June 30, 2008 were \$99 million, a decrease of \$524,000 (0.5%) from the prior year. Charges for services, the largest source of revenue, increased \$4 million (5.1%); however, this was offset by a \$5.3 million decrease in capital grants and contributions revenues. Charges for services include fees and charges for utilities, such as Water and Wastewater, as well as charges relating to the Airport, Waterfront, Downtown Parking and Golf enterprise funds. The increase in charges for services is the result of a combination of fee or rate increases and increased activity throughout the various funds. For example, the Water and the Wastewater Funds raised their rates in fiscal year 2008 by 3.5% and 6%, respectively. The rate increases, combined with higher usage due to extremely dry weather throughout the year, generated additional revenues of \$2.1 million and \$891,000, respectively in these two funds. Airport revenues increased \$590,000 primarily due to positive results in the terminal, commercial, and commercial aviation lease revenues.

Capital grant revenue includes \$11.9 million from the Federal Aviation Administration for several large capital projects at the airport, including the terminal expansion, runway relocation and improvements, and airport safety projects.

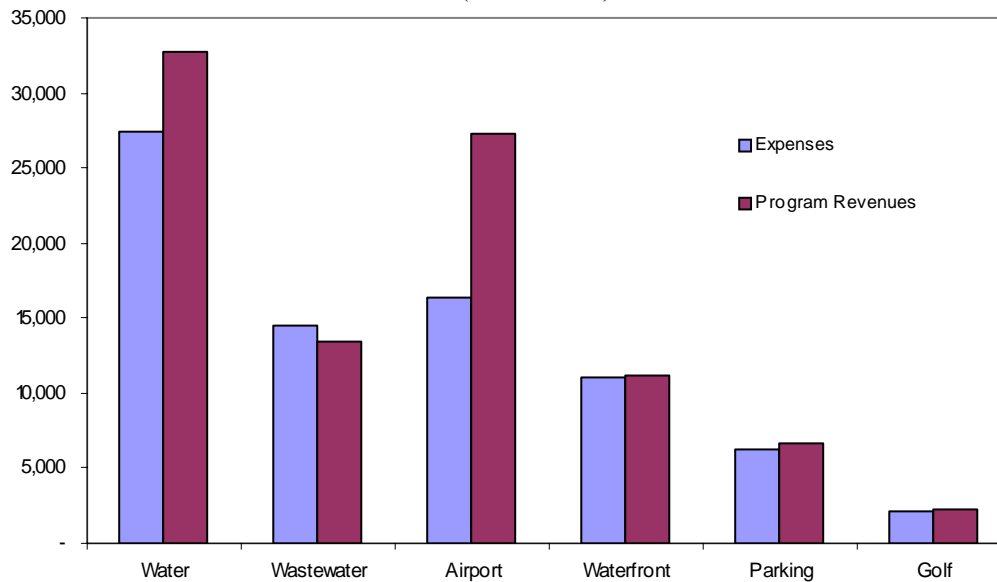
Table 4 STATEMENT OF ACTIVITIES Business-Type Activities Fiscal Years Ended June 30, 2008 and 2007		
REVENUES:	2008	2007
Program Revenues:		
Charges for Service	\$ 81,601,988	\$ 77,613,743
Operating Grants and Contributions	144,627	114,973
Capital Grants and Contributions	11,860,445	17,154,977
General Revenues:		
Investment Income	5,439,977	4,687,029
TOTAL REVENUES	99,047,037	99,570,722
EXPENSES:		
Business Activities:		
Water	27,414,971	27,310,533
Wastewater	14,559,771	13,252,490
Airport	16,307,247	14,862,294
Waterfront	11,053,907	11,004,206
Other Non-Major Funds	8,348,198	8,050,981
TOTAL EXPENSES	77,684,094	74,480,504
Change in Net Assets Before Transfers	21,362,943	25,090,218
Transfers	(182,030)	(686,564)
Change in Net Assets	21,180,913	24,403,654
Net Assets, July 1	351,912,658	327,509,004
Net Assets, June 30	\$ 373,093,571	\$ 351,912,658

Investment income increased \$753,000 from the prior year; however, \$545,000 of the increase is due to the annual adjustment required by GASB Statement No. 31 (GASB 31) to adjust the City's portfolio to fair market value. The actual increase in investment earnings of approximately \$208,000 was primarily due to an increased investment yield in the current fiscal year in relation to the prior year.

The City pools the cash of all funds, except bond funds held by fiscal agents, for investment purposes. All investments are subject to State law and the City's investment policy. The City's average yield on investments rose from 4.427% for the year ended June 30, 2007 to 4.819% for the year ended June 30, 2008. As noted in the previous paragraph, investment earnings increased \$545,000 to reflect the increase in fair market value of the City's proprietary funds' portfolio at June 30, 2008, pursuant to GASB Statement No. 31. This increase in market value represents only a "paper" gain, as the City holds all investments to maturity at which time they are redeemed at par value.

Expenses for the fiscal year ended June 30, 2008 totaled \$77.7 million, a \$3.2 million increase from the prior year. The increase is the net of varying increases in each fund and will be discussed in more detail later in the analysis of individual funds in this report. The business-type funds experienced approximately \$1.2 million increased salary and benefits costs due to negotiated salary increases, increased health care costs, and increased retirement costs. Additionally, these funds have a combined \$855,000 increase in depreciation expense, with \$580,000 of the increase attributable to the large capital projects at the Airport.

**Business-type Activities
Expenses and Program Revenues
For the Year Ended June 30, 2008
(in thousands)**



FINANCIAL ANALYSIS OF INDIVIDUAL FUNDS

The City uses fund accounting to demonstrate compliance with legal and contractual requirements. This section provides an analysis and discussion of individual funds and fund types presented in the financial statements.

Governmental Funds

Analysis of Year-End Balances

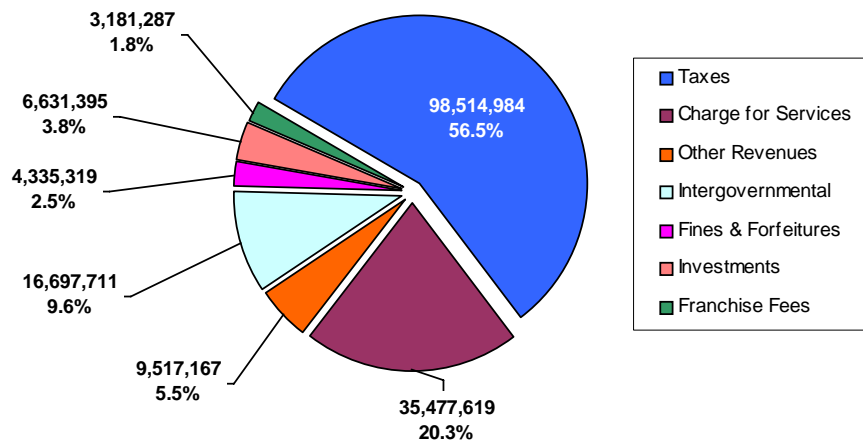
As previously noted, governmental funds use the modified accrual basis of accounting. As of June 30, 2008, governmental fund assets totaled \$170.1 million. Of this total, \$62.2 million consisted of cash and investments, and \$31.9 million consisted of cash and investments held with fiscal agents (bond trustees). An additional \$59.8 million represents outstanding loans receivable, of which the vast majority relates to the City's home rehabilitation loan program funded from the Community Development Block Grant program and the Redevelopment Agency's Housing Program.

Fund balance (assets minus liabilities) of governmental funds totaled \$146.6 million at June 30, 2008. Of this total, \$126 million was reserved, \$18 million was designated and \$2.6 was undesignated. The reserved portion of total fund balance includes \$31.3 million in bond proceeds held by fiscal agents in connection with the sale of the 2001, 2003A, and 2004A Tax Allocation Bonds by the Redevelopment Agency (RDA). These funds are restricted to projects for which the bonds were sold, including low-income housing and other redevelopment projects in the downtown area. Reserved fund balance also includes \$42 million for outstanding loans receivable in the RDA Housing Fund. Because these loans are long-term, the corresponding portion of fund balance is not currently available for appropriation and is thus reserved. The *designated* portion of fund balance consists of funds set aside in the General Fund, pursuant to City policy, for emergencies, contingencies, and revenue shortfalls caused by economic downturns. The policy requires that all operating funds, including the General Fund, set aside an amount equal to 25% of its operating budget (policy reserves). During the tough economic environment over the past several years a portion of the policy reserves have been used to balance the budget in the General Fund and, accordingly, reserves have fallen below the policy amount. This use of reserves was in accordance with the purpose of the policy reserves.

Results of Operations

Revenues of the governmental funds totaled \$174.4 million for the fiscal year ended June 30, 2008. As shown in the chart below, the largest component of total revenue was taxes at \$98.5 million, making up 56.5% of total revenue in the governmental funds. This is consistent with the nature and purpose of governmental funds, particularly the General Fund, in that they include programs that are largely supported by general taxes. Taxes received by the General Fund include sales, transient occupancy, utility users, and property taxes. The RDA is almost entirely funded from property tax revenues. This stems from the nature and purpose of redevelopment agencies in that improvements to “blighted” areas in the community are financed from the sale of bonds, which are repaid from the incremental property tax revenues that are generated as a result of the increased value of the properties after the improvements are made.

Governmental Funds Revenues

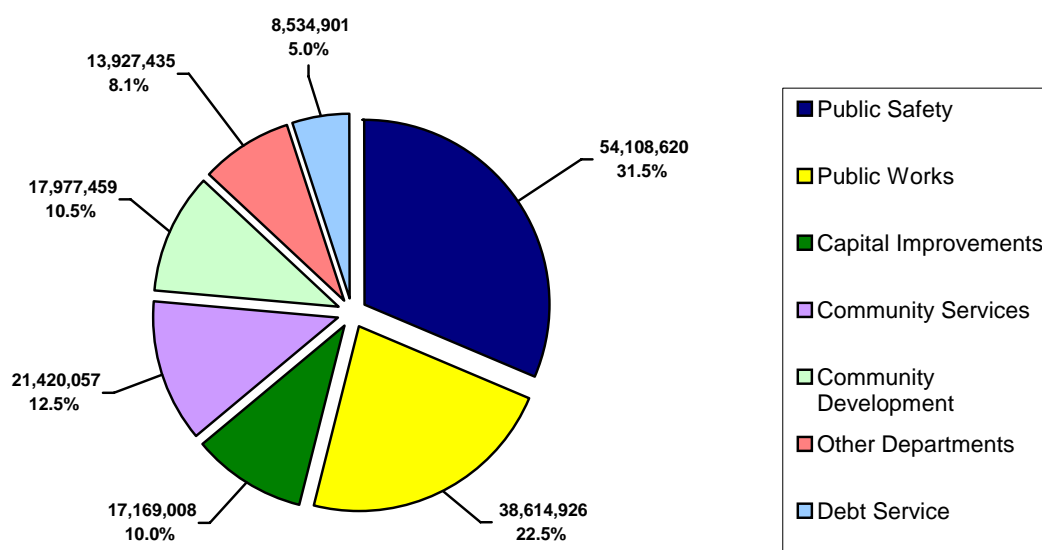


The adopted General Fund budget provided for \$105 million of expenditures, including transfers. Budget amendments and appropriation carryovers from the prior year of \$5.7 million increased the budget to \$110.7 million. Appropriations tied to outstanding encumbrances of \$3.1 million that were carried forward from fiscal year 2007. Amendments totaling \$2.6 million were approved by City Council during the year. The majority of these amendments were funded from additional revenues.

Total governmental expenditures were \$171.8 million for the fiscal year. As always, a large portion of overall expenditures (approximately 31.5%) relates to fire and police (public safety). Virtually all of the public safety costs are funded out of the General Fund, consuming 52% of total General Fund revenues. A total of \$21.4 million was expended for Community Services, which includes library, parks, and recreation; \$38.6 million was spent on Public Works, which includes streets maintenance, capital programs and improvements, and \$14.6 million in payments to the waste haulers.

In total, governmental funds ended the year with a net increase in fund balance of \$2.3 million. As such, the City's total available resources for financing next year's programs and services increased from the end of last year from \$144.2 million to \$146.6 million. The General Fund used approximately \$3.2 million of fund balance while fund balance in the RDA Special Revenue Fund and the RDA Capital Projects Fund increased by \$2.8 million and \$3 million, respectively. The increase in the RDA Special Revenue fund balance was primarily attributable to \$18.1 in tax increment revenues (a \$1.3 million increase from the prior year), less debt service, capital transfers, and operating expenditures. The increase in the RDA Capital Projects fund balance is attributable to transfers from the RDA fund for current and future capital projects.

Governmental Funds Expenditures



Proprietary Funds

Unlike governmental funds, proprietary funds use the full accrual basis of accounting for financial statement purposes. Accordingly, information reported for the individual fund statements is very similar to that presented as “business-type activities” in the government-wide statements. Government-wide reporting requires the inclusion of activities of the City’s internal service funds related to proprietary fund activities in the “business-type” activities. Therefore, the following analysis is very similar to that presented previously for Business-Type Activities.

Analysis of Year-End Balances

Assets of the proprietary funds totaled \$473.6 million as of June 30, 2008. Of this total, \$366.9 million (77.5%) consisted of capital assets used in the operations of the various funds. This is consistent with the nature and purpose of the services provided by proprietary funds, which include the Water, Wastewater, Airport, Golf, Waterfront, and Downtown Parking Funds. These services are highly capital intensive and require ongoing funding for capital maintenance and improvement.

Cash and investments (including cash with fiscal agents) is the second largest asset category, comprising almost 18.5% of total assets. As of June 30, 2008, total cash and investments (including cash and investments with fiscal agents) of proprietary funds totaled \$87.8 million, which is a \$2 million decrease from the prior year balance of \$89.8 million. Cash increased by \$3.7 million in the Water Fund, \$811,000 in the Downtown Parking Fund, and \$300,000 in the Golf Fund. Cash and investments decreased \$1.7 million in the Wastewater Fund and \$5 million in the Airport Fund.

As shown in the cash flow statement, Water Fund operations generated a \$10.5 million increase in cash, while investing activities provided \$2.2 million and debt service and capital expenditures consumed approximately \$8.9 million cash. An increase in water rates of 3.5% this year, combined with drought conditions, resulted in a \$1.9 million surplus in water revenues. Capital expenditures and debt service payments show a cash outflow of \$8.9 million. The capital expenditures were primarily due to planned water pipe & main replacements, renovations to the Cater Treatment Plant, and other improvements to the water distribution system this year.

The Wastewater Fund is in the process of performing capital renovations and improvements to the wastewater system that will occur over the next several years. Wastewater Fund cash decreased \$1.7 million as a result of

approximately \$5.1 million spent on capital projects and debt service payments during the year, offset by an increase of \$2.4 million in cash from the fund's operations and \$1 million increase from investment income.

The \$5 million net decrease in Airport cash was primarily due to Airport capital expenses which consumed approximately \$5.7 million of cash. Airport operations consumed an additional \$259,000 in cash, but investment earnings increased and provided approximately \$1 million in cash this fiscal year.

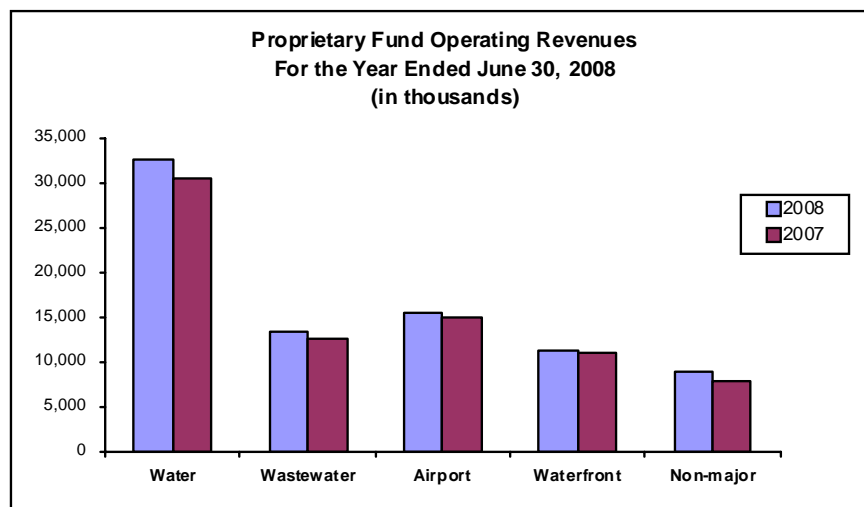
Net assets of proprietary funds totaled \$363.7 million as of June 30, 2008, an increase of \$17.6 million from the prior year. Net assets consist of amounts invested in capital assets net of net of related debt, amounts restricted for capital projects and debt service, as well as unrestricted amounts. As of June 30, 2008, the portion of net assets invested in capital assets (net of related debt) was \$275.6 million, a \$20.1 million increase from the prior year. This increase is due to capital expenditures in fiscal year 2008, as discussed previously, offset by current year depreciation and the amount of outstanding debt that was used to finance the capital expenditures. Net assets restricted for capital projects decreased \$2.5 million from \$7.7 million to \$5.1 million. Total proprietary fund net assets restricted for debt service and unrestricted net assets remained virtually the same as the prior year at \$4.6 million and \$78.3 million, respectively.

Results of Operations

Total fiscal year 2008 operating revenues of the proprietary funds were approximately \$80.8 million, an increase of approximately \$4.1 million (5.3%) from the prior year. Operating revenues increased in all funds, with the largest dollar increase of \$2.1 million (7%) occurring in the Water Fund. Wastewater Fund and Airport Fund operating revenues increased \$912,000 (7.3%) and \$590,000 (4%), respectively. Effective on July 1, 2007, water service rates were increased by 3.5% and wastewater charges were increased by 6%. The actual increase of revenue in the Water and Wastewater Funds is dependent on both the rates and water usage; therefore, it will not exactly mirror the rate increase percentage. Drought conditions continued this fiscal year, which resulted in higher than anticipated water usage and revenues. Since water usage impacts wastewater revenues, this extra water usage also resulted in increased wastewater revenues.

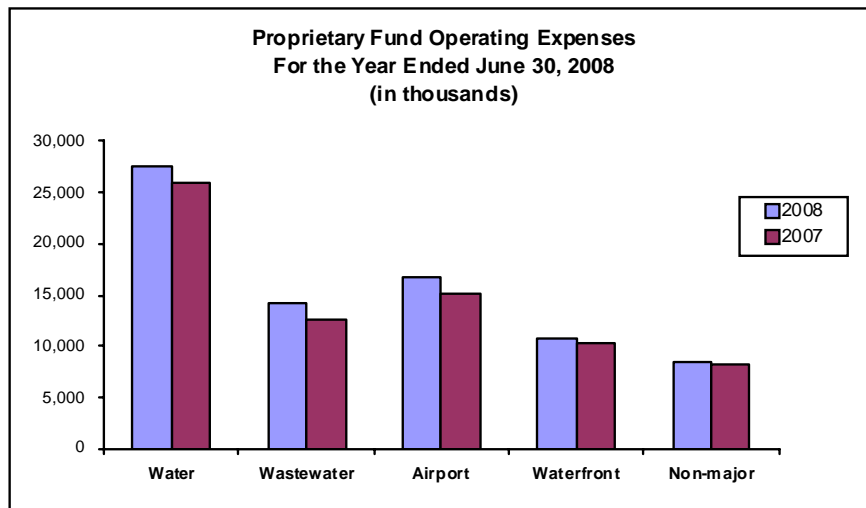
The increase in Airport operating revenues was primarily due to increases from all categories of leases. Waterfront operating revenues increased 3.2% (\$345,000) from fiscal year 2007. This increase is almost entirely due to increased lease revenues. Lease revenues improved due to tenant turnover with the new tenants generating more revenues, thus increasing the percentage lease payments to the City.

Operating expenses of proprietary funds totaled approximately \$77.5 million in fiscal year 2008, a \$5.3 million increase from the prior year. Depreciation accounted for \$855,000 of the increase while salary and benefit costs accounted for another \$1.2 million of the change. Materials, supplies, and services expenses accounted for \$ 3.2 million of the increase.



Proprietary fund operating expenses increased by \$1.5 million in the Water Fund, \$1.5 million in the Wastewater Fund, \$1.5 million in the Airport Fund, \$378,000 in the Waterfront Fund, and \$361,000 in the nonmajor proprietary funds this year. Salary and benefit costs increased by \$588,000 in the Water Fund, \$258,000 in the Wastewater Fund, \$140,000 in the Airport Fund, \$109,000 in the Waterfront Fund, and \$137,000 in the nonmajor proprietary funds.

Materials, supplies, and services expense increased by \$578,000 in the Water Fund, \$1.1 million in the Wastewater Fund, \$767,000 in the Airport Fund, \$433,000 in the Waterfront Fund, and \$266,000 increase in the non-major proprietary funds. These expenses are incurred as needed throughout the year and are not incurred evenly from year to year, accordingly; it is common to see variances from the prior year, which can be substantial in some years. The increase in the Wastewater Fund was primarily due to a \$378,000 increase in special projects, a \$380,000 increase in utility and disposal costs, a \$130,000 increase in facilities maintenance, and a \$108,000 increase in legal fees.



Non-operating revenues and expenses, which include downtown merchants' parking assessments, investment income, grants/contributions, interest expense, and other miscellaneous revenues, decreased \$16.5 million from the prior year. This large decrease is almost entirely due to a change in presentation of capital grants on the statement of Revenues, Expenses, and Changes in Fund Net Assets. Excluding this presentation change, non-operating revenues and expenses increased \$697,000 due to increased investment earnings. Capital contributions decreased \$5.3 million due to decreased Airport grants received from the FAA this year. These grants are dependent on the timing of projects at the Airport and cover multiple years so variances of this magnitude are not uncommon.

GENERAL FUND FINANCIAL AND BUDGETARY HIGHLIGHTS

The General Fund is the main operating fund of the City. Its revenues are primarily derived from taxes and intergovernmental sources, which are used to pay for the traditional services provided by local government - public safety, library, parks & recreation, community development (building and planning), and public works.

The originally adopted expenditure budget of the General Fund totaled \$105 million including \$2.5 million in transfers to other funds. Budgeted revenues (including transfers of \$902,000) were \$105.2 million, thus yielding a \$209,000 budgeted surplus. The amended budget, which includes unspent, but encumbered appropriations carried forward from fiscal year 2007, as well as Council-approved adjustments during the year, totaled \$110.7 million. The amended revenue budget was \$106.8 million, resulting in a \$3.9 million budgeted use of reserves.

Table 5
SUMMARY OF REVENUES
GENERAL FUND
For the Twelve Months Ended June 30, 2008
Comparison to Budget and Prior Year

	Current Year Analysis			Prior Year Analysis	
	Annual Budget	Actual	Budget Variance	Prior Year Actual	Variance From PY
Sales Tax	\$ 21,189,900	\$ 20,866,792	\$ (323,108)	\$ 20,210,822	\$ 655,970
Property Tax	21,985,200	22,438,713	453,513	21,040,618	1,398,095
UUT	6,846,800	6,844,081	(2,719)	6,566,440	277,641
TOT	13,581,500	12,935,553	(645,947)	12,840,766	94,787
Bus License	2,296,000	2,252,134	(43,866)	2,214,235	37,899
Prop Trans Tax	500,000	451,640	(48,360)	645,545	(193,905)
Total Taxes	<u>66,399,400</u>	<u>65,788,913</u>	<u>(610,487)</u>	<u>63,518,426</u>	<u>2,270,487</u>
Licenses & Permits	128,995	165,451	36,456	131,259	34,192
Fines & Forfeitures	3,228,937	2,543,831	(685,106)	2,293,369	250,462
Franchise Fees	2,968,600	2,829,559	(139,041)	2,812,297	17,262
Use of Money	1,978,395	2,600,533	622,138	2,255,017	345,516
Intergovernmental	2,717,245	2,678,225	(39,020)	2,455,426	222,799
Fee & Services	18,881,619	18,749,956	(131,663)	17,650,947	1,099,009
Miscellaneous	7,310,278	7,504,313	194,035	7,375,043	129,270
Budgeted year-end Var	2,311,793	-	(2,311,793)	-	-
Total Other	<u>39,525,862</u>	<u>37,071,868</u>	<u>(2,453,994)</u>	<u>34,973,358</u>	<u>2,098,510</u>
Total Revenues	<u><u>\$ 105,925,262</u></u>	<u><u>\$ 102,860,781</u></u>	<u><u>\$ (3,064,481)</u></u>	<u><u>\$ 98,491,784</u></u>	<u><u>\$ 4,368,997</u></u>

General Fund revenues ended the year \$3.1 million under budget; however this included a \$2.3 million anticipated year-end variance. While no revenues were to be recognized for the anticipated year-end variance, the net year-end variances in expenditures and revenues were expected to equal or exceed this amount. In fact the combination of the \$753,000 negative revenue variance and the \$4.1 million positive expenditure variance exceeded the budgeted \$2.3 million year-end variance.

Excluding the budgeted year-end variance, revenues ended the year \$753,000 under budget. Tax revenues ended the year approximately \$610,000 below budget with sales tax and transient occupancy tax revenues approximately \$323,000 and \$646,000, respectively, below the budget. Property tax revenues exceeded budget by \$454,000. Non-tax revenues (excluding the budgeted year-end variance) were \$142,000 below budget. Use of money and miscellaneous revenues exceeded the budget by \$622,138 and \$194,035, respectively. As discussed in other areas of this document, investment revenues (a component of use of money revenue) exceeded budget due to the GASB 31 adjustment to reflect the increase of over \$500,000 in the market value of the portfolio. This positive variance was offset by fines & forfeitures, franchise fees, and fees & services revenues which ended the year below budget by \$685,000, \$139,000, and \$132,000, respectively.

As shown in Table 6, General Fund expenditures for the year ended June 30, 2008, were \$104 million, resulting in a \$4.1 million (3.8%) favorable budget variance. All departments kept within their legal spending authority.

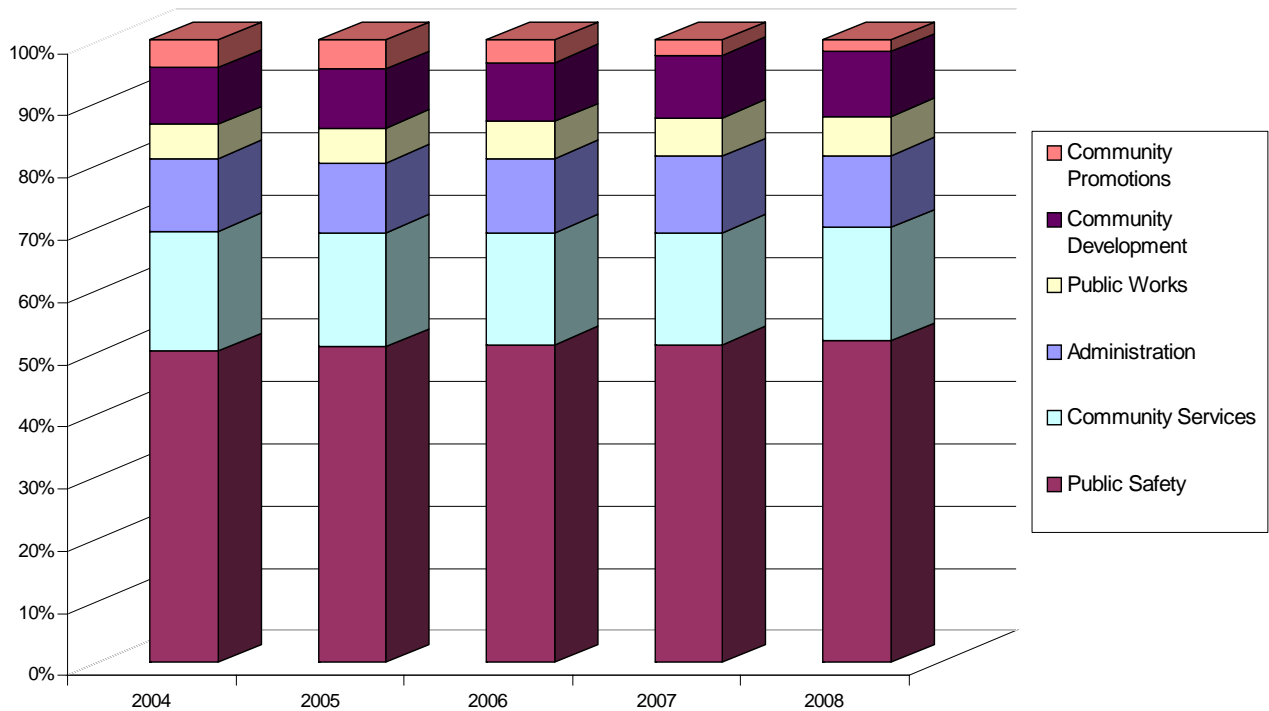
Table 6
SUMMARY OF EXPENDITURES
GENERAL FUND
For the Fiscal Year Ended June 30, 2008

Department	Annual Budget	YTD Actual	Variance Favorable (Unfavorable)	
			\$	%
Mayor & Council	\$ 862,001	\$ 800,738	\$ 61,263	7.1%
City Attorney	2,203,476	2,109,104	94,372	4.3%
City Administrator	2,241,360	2,163,842	77,518	3.5%
Administrative Svs.	2,480,806	2,272,640	208,166	8.4%
Finance	4,822,039	4,660,727	161,312	3.3%
Police	32,923,965	32,859,337	64,628	0.2%
Fire	20,961,632	20,820,299	141,333	0.7%
Public Works	6,925,793	6,498,273	427,520	6.2%
Parks & Recreation	15,225,358	14,685,244	540,114	3.5%
Library	4,649,994	4,325,912	324,082	7.0%
Community Dev.	12,951,504	10,905,192	2,046,312	15.8%
Non-Departmental	1,884,114	1,884,114	-	0.0%
Total	<u>\$ 108,132,042</u>	<u>\$ 103,985,422</u>	<u>\$ 4,146,620</u>	3.8%

Salaries and benefits savings accounted for \$696,000 of this positive variance. Materials, supplies, and services expenditures were \$2.6 million under budget with \$2.2 million in savings on professional and non-professional services. Specials projects expenditures produced a \$503,000 favorable variance while capital expenditures were \$408,000 under budget. These expenditures are budgeted many months before the start of the fiscal year based on historical information and estimates of future operations. Unspent appropriations for projects that will be needed in future years will be carried forward as encumbrances; the General Fund had \$2.5 million encumbered at June 30, 2008.

The largest General Fund variance is in the Community Development Department, primarily due to \$1.5 million encumbered but unspent for the City's General Plan update process and these encumbered funds will be used throughout the process. Expenditures in the Public Works Department were \$427,520 under budget with approximately \$175,000 in salary & benefits savings and \$161,000 in encumbrances that will be carried forward into next fiscal year. The remaining \$91,000 budget variance in Public Works is mostly due to unspent special projects costs, \$41,000 of which will be carried over to next year for underground fuel tank abatement. Parks & Recreation Department expenditures were \$540,114 under budget with \$386,000 due to encumbrances that will be carried forward into next year and the remaining variance is in salaries & benefits expenses. Library expenditures were \$324,082 under budget with \$184,000 attributable to salary & benefit savings and \$83,000 in encumbrances that will be carried forward to next year. The remaining budget variance is due to unspent professional service costs. Administrative Service Department budget savings are attributable to \$47,000 in salary & benefits savings, \$79,000 in supplies & services, \$40,000 in special projects, and \$22,000 encumbrances that will be carried forward into next year.

General Fund Expenditures by Activity



CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Table 7 on the following page summarizes the City's capital assets by class and by type of activity. It is important to note that capital assets are reported at historical cost, net of accumulated depreciation. These amounts do not represent the market value or replacement cost of City assets, which would be significantly higher. Historical cost is used, pursuant to accounting standards, to provide an objective basis for reporting capital assets.

As shown in Table 7, capital assets totaled \$726.2 million. Net capital assets (i.e. net of depreciation) in governmental funds increased \$9.6 million and the increase in business-type funds was \$15.9 million. The additions in the governmental funds were primarily due to infrastructure improvements (\$471,000), construction in progress (\$5.5 million), and land (\$1.4 million) in the General Fund, as well as additions of \$1.1 million for land, \$845,000 for infrastructure, and \$1.6 million in Construction in Progress in the RDA. Accumulated depreciation increased by \$3.5 million in the General Fund and \$2 million in the RDA.

The \$15.9 million net capital asset additions in the business-type funds are spread across all of the funds with capital additions of \$4.2 million in the Water Fund, \$3.7 million in the Wastewater Fund, \$22.3 million in the Airport Fund, \$1.4 million in the Waterfront Fund, and \$406,000 in the Downtown Parking and Golf Funds. The capital additions were offset by the change in accumulated depreciation in the Water Fund (\$6.1 million), Wastewater Fund (\$3.5 million), Airport Fund (\$4.3 million), Waterfront Fund (\$1.6 million), Downtown Parking (\$348,000), and Golf Fund (\$214,000).

TABLE 7
SUMMARY OF CAPITAL ASSETS
(Net of Accumulated Depreciation)
As of June 30, 2008

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
Non-depreciating assets:			
Construction in Progress	\$ 21,200,393	\$ 50,619,691	\$ 71,820,084
Land	50,759,518	19,201,133	69,960,651
Streets	160,101,179	-	160,101,179
Depreciating assets:			
Buildings	33,087,192	10,950,480	44,037,672
Building Improvements	4,125,334	5,270,268	9,395,602
Equipment	8,017,448	12,287,410	20,304,858
Improvements Other Than Buildings	16,874,454	171,136,731	188,011,185
Infrastructure	65,156,091	8,585,251	73,741,342
Underground Piping	-	88,838,357	88,838,357
TOTALS	<u><u>\$ 359,321,609</u></u>	<u><u>\$ 366,889,321</u></u>	<u><u>\$ 726,210,930</u></u>

Renovations to the water treatment and distribution systems, including \$1.4 million of water main replacements, accounted for the capital additions in the Water fund. The Wastewater Fund additions include the annual sewer line replacements and continuation of the renovations to the sewer system and plant. Airport Fund net additions totaled \$18 million for various projects, including the terminal expansion, air field safety projects, t-hangar construction, and construction of the rental car storage and maintenance facility.

By far, the largest class of assets in the Governmental and Business Type Activities is Infrastructure (which is comprised of "Streets" and "Infrastructure"). The next largest classes of assets are "Improvements Other Than Buildings" and "Underground Piping" which total approximately \$188 million and \$88.8 million, respectively. Improvements Other Than Buildings include improvements to land, parking structures, and other improvements to assets other than buildings. Underground piping primarily includes water and sewer lines. The majority of these assets is included in the business type activities and is an integral part of their operations.

Infrastructure assets, totaling \$233.8 million of total net capital assets, include roads, curbs, gutters, storm drains, street lights, bridges, etc. Governmental funds have been required to capitalize the costs of acquiring or constructing infrastructure assets acquired or constructed after 1982. Where information was readily available, or if a value could be reasonably estimated, the City capitalized infrastructure assets acquired or constructed prior to 1982.

The City has elected to use the "modified approach" pursuant to GASB Statement No. 34 in accounting for streets so these assets have been reported separately from other infrastructure in Table 7. The City has established a pavement condition assessment process where approximately one-third of the entire street system is assessed on a rotating basis each year. Each road segment is rated and given a pavement condition index (PCI) value from zero to one hundred (0-100), where PCI's of 41 or higher are considered to be in "Fair" or better condition, and roads with PCI's of 56 or higher are considered to be in "Good" or better condition. Pursuant to the modified approach, depreciation is not reported for this subsystem and all costs, except for betterments and major improvements made to the subsystem, are expensed rather than capitalized. At June 30, 2008, the average PCI for City streets was 71, which is defined as "very good". Ninety one percent of the City's streets were considered to be in "good to excellent" condition, four percent of the streets were rated in "fair" condition, and only five percent were considered to be in "poor to substandard" condition.

Additional information on the City of Santa Barbara's capital assets can be found in Notes 1 and 5, and Required Supplementary Information of this report.

Long-Term Debt

Table 8 below summarizes outstanding long-term debt, excluding outstanding claims payable, associated with both Governmental Activities and Business-Type Activities. As shown in Table 8, the City had approximately \$164.1 million in long-term debt outstanding at June 30, 2008, a net decrease of \$9.3 million from the prior year.

TABLE 8
SUMMARY OF OUTSTANDING DEBT
Fiscal Year Ended June 30, 2008

	Governmental Activities	Business-Type Activities	Total
Certificates of Participation	\$ 2,838,000	\$ 30,557,000	\$ 33,395,000
Revenue Bonds	-	22,470,000	22,470,000
Tax Allocation Bonds	69,265,000	-	69,265,000
Loans	750,000	38,268,711	39,018,711
	<u>\$ 72,853,000</u>	<u>\$ 91,295,711</u>	<u>\$ 164,148,711</u>

With respect to the Governmental Activities, the outstanding \$2.8 million in certificates of participation (COP's) were issued in fiscal year 2002 to refund the 1993 COP's, thereby capturing more favorable interest rates and lowering interest costs. These COP's are the only debt of the General Fund and total just 2.8% of total General Fund revenues. The outstanding \$69.3 million tax allocation bonds relate to the City's Redevelopment Agency. This includes the 2001, 2003A, and 2004A Tax Allocation Bonds issued in July 2001, December 2003, and July 2004, respectively, to fund the construction of the Granada Garage, senior affordable housing, and other redevelopment projects.

Of the outstanding \$38.3 million in loans payable in the Business-type activities, \$35.9 million relates to the Water Fund. The Water Fund loans are low-interest loans from the State Department of Water Resources (SDWR), primarily for the Sheffield Reservoir Project and the Cater Water Treatment Plant Project. Approximately 40% of the SDWR loans will be reimbursed by the Montecito Water District and the Carpinteria Water District. The Water Fund also had \$4.4 million in 1994 Series A revenue bonds outstanding at June 30, 2008. The \$18.1 million in outstanding sewer revenue bonds were issued by the Wastewater Fund 2004 to fund renovations to the City's wastewater collection and treatment systems. The Waterfront and Water Funds have outstanding COP's totaling \$16.1 million and \$13 million, respectively.

Additional information on the City of Santa Barbara's long-term debt can be found in Note 7 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The fiscal year 2008 adopted budget was developed based on the assumption of moderate growth in key revenues, such as sales taxes, property taxes, and transient occupancy taxes. In fact, the adopted budget included a capital program entirely funded from current revenues, and still provided for a budgeted surplus of over \$200,000.

During the second half of fiscal year 2008, the national, state and local economies began to falter, and key revenues in the City's General Fund began to show the effects of what would arguably become the worst national (and international) economic downturns since the Great Depression more than 70 years ago.

By the end of the year, key revenues were below budget, partially offset by favorable variances in expenditures. Still, a total of over \$3.1 million in reserves were consumed as a result of revenue shortfalls.

The development of the fiscal year 2009 budget was developed based on a projected \$4 million deficit. Given the uncertainty at that time as to the depth and duration of the economic downturn, a strategy that used equal parts one-time revenues and on-going adjustments was used to close the projected deficit. This strategy recognized that if the economic downturn lasted more than 12-18 months, or was more profound than expected, we would have to make larger and more permanent adjustments in fiscal year 2010 to re-balance the General Fund. It also recognized the possibility that the downturn could be short-lived, and thereby avoiding larger cuts that would later prove unnecessary.

Unfortunately, the economic downturn has now become a national financial crisis: large, long-standing institutions have failed; the federal government approved a \$152 billion economic stimulus package that included tax rebates to most taxpayers, and is now debating the details of a proposed \$750 billion bail-out plan called the Troubled Assets Relief Program (TARP) designed to infuse cash into the credit markets and potentially provide some relief to homeowners that are in jeopardy of losing their homes to foreclosure; and more recently, it is possible that one or more of our nation's three largest auto manufacturers will fall into bankruptcy.

As a tourist destination and a city that relies on revenues that are directly impacted by economic swings, the impacts from the current economic crisis on the General Fund's key revenues have been significant. For example, sales tax revenues for the quarter ended June 30, 2008 declined by over 7% - the largest decline in over a decade. While to date there has been a small increase in transient occupancy tax revenues, the growth rate has declined, and the revenues may well decline in fiscal year 2009. Property tax revenues, which were unaffected by the economic recession following "9-11" and, in fact, grew at historically high rates, are now growing well below the average of the last 10 years. As a result, the fiscal year 2009 the General Fund structural imbalance of \$2 million that was included in the adopted budget has now grown to a projected \$5.5 million in just 6 months.

The City has already developed a strategy to re-balance the current year budget that will include on-going adjustments to expenditures and a modest amount of one-time measures, but no use of reserves. The more challenging task, however, will be in addressing the even larger projected deficit in fiscal year 2010. Undoubtedly, with such a significant projected deficit, the City will have to make significant changes to services provided to its residents in a manner that recognizes the priorities of our community and ensures basic and essential services are maintained, including those related to public safety.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report, separate reports of the City's component unit (Redevelopment Agency), or need any additional financial information, please access the City's internet web site at www.SantaBarbaraCa.gov/government/finance/CAFR. You may also contact the City's Finance Department at PO Box 1990 (735 Anacapa Street), Santa Barbara, California, 93110, (805) 564-5334, or email Rudolf Livingston CPA, Accounting Manager at RLivingston@SantaBarbaraCa.gov or Robert Samario, Assistant Finance Director at BSamario@SantaBarbaraCa.gov.



CITY OF SANTA BARBARA
STATEMENT OF NET ASSETS
June 30, 2008

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 85,123,627	\$ 78,025,555	\$ 163,149,182
Accounts receivable, net	9,554,631	5,270,182	14,824,813
Accrued interest receivable	1,780,359	-	1,780,359
Due from other agencies	455,952	302,564	758,516
Due from fiduciary funds	327,081	-	327,081
Internal balances	(6,277,521)	6,277,521	-
Inventory	791,813	-	791,813
Prepaid assets and deposits	62,855	3,960,312	4,023,167
Deferred charges	1,960,675	3,080,967	5,041,642
Loans receivable	59,832,567	6,253,234	66,085,801
Restricted assets:			
Cash and investments with fiscal agents	31,851,475	9,783,481	41,634,956
Capital assets not being depreciated:			
Construction in progress	21,200,393	50,619,691	71,820,084
Land	50,759,518	19,201,133	69,960,651
Streets	160,101,179	-	160,101,179
Capital assets, net of accumulated depreciation:			
Buildings	33,087,192	10,950,480	44,037,672
Building improvements	4,125,334	5,270,268	9,395,602
Equipment	8,017,448	12,287,410	20,304,858
Infrastructure	65,156,091	8,585,251	73,741,342
Other improvements and drainage systems	16,874,454	171,136,731	188,011,185
Underground piping	-	88,838,357	88,838,357
Total capital assets	359,321,609	366,889,321	726,210,930
Total assets	544,785,123	479,843,137	1,024,628,260
LIABILITIES			
Current liabilities:			
Accounts payable	4,630,331	3,649,188	8,279,519
Accrued interest payable	835,981	618,240	1,454,221
Salaries and benefits payable	4,653,139	1,179,374	5,832,513
Other accrued liabilities	247,229	-	247,229
Deposits	1,087,605	1,610,593	2,698,198
Unearned revenue	1,110,242	6,895,025	8,005,267
Compensated absences payable	5,310,164	1,214,901	6,525,065
Total current liabilities	17,874,691	15,167,321	33,042,012
Noncurrent liabilities:			
Due within one year	7,678,537	4,358,677	12,037,214
Due in more than one year	70,844,364	86,937,034	157,781,398
Long-term portion compensated absences	590,018	134,989	725,007
Other post employment benefits (OPEB) obligation	1,011,000	-	1,011,000
Unamortized debt premium	804,412	151,545	955,957
Total noncurrent liabilities	80,928,331	91,582,245	172,510,576
Total liabilities	98,803,022	106,749,566	205,552,588
NET ASSETS			
Invested in capital assets, net of related debt	319,070,084	275,593,610	594,663,694
Restricted for capital projects	20,799,662	5,133,979	25,933,641
Restricted for specific projects and programs	69,164,402	-	69,164,402
Restricted for debt service	-	4,649,503	4,649,503
Unrestricted	36,947,953	87,716,479	124,664,432
Total net assets	\$ 445,982,101	\$ 373,093,571	\$ 819,075,672

See accompanying notes to the basic financial statements

CITY OF SANTA BARBARA
STATEMENT OF ACTIVITIES
Fiscal Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental activities:							
Current:							
Administration	\$ 12,196,570	\$ 1,845,045	\$ -	\$ -	\$ (10,351,525)	\$ -	\$ (10,351,525)
Public safety	54,394,795	9,400,891	2,643,924	65,889	(42,284,091)	-	(42,284,091)
Public works	44,527,891	23,901,539	6,566,853	3,761,092	(10,298,407)	-	(10,298,407)
Community services	22,982,993	5,210,760	2,765,009	4,794,197	(10,213,027)	-	(10,213,027)
Community development	19,948,382	5,607,986	3,123,697	111,741	(11,104,958)	-	(11,104,958)
Interest on long term debt	3,408,205	-	-	-	(3,408,205)	-	(3,408,205)
Total governmental activities	<u>157,458,836</u>	<u>45,966,221</u>	<u>15,099,483</u>	<u>8,732,919</u>	<u>(87,660,213)</u>	<u>-</u>	<u>(87,660,213)</u>
Business activities:							
Water	27,414,971	32,610,140	69,328	-	-	5,264,497	5,264,497
Wastewater	14,559,771	13,449,287	9,236	-	-	(1,101,248)	(1,101,248)
Airport	16,307,247	15,450,676	-	11,860,445	-	11,003,874	11,003,874
Waterfront	11,053,907	11,177,283	66,063	-	-	189,439	189,439
Parking	6,262,293	6,669,214	-	-	-	406,921	406,921
Golf course	2,085,905	2,245,388	-	-	-	159,483	159,483
Total business-type activities	<u>77,684,094</u>	<u>81,601,988</u>	<u>144,627</u>	<u>11,860,445</u>	<u>-</u>	<u>15,922,966</u>	<u>15,922,966</u>
Total	<u>\$ 235,142,930</u>	<u>\$ 127,568,209</u>	<u>\$ 15,244,110</u>	<u>\$ 20,593,364</u>	<u>(87,660,213)</u>	<u>15,922,966</u>	<u>(71,737,247)</u>
General revenues:							
Taxes:							
Property					40,519,674	-	40,519,674
Sales & use					20,838,406	-	20,838,406
Transient occupancy					15,522,708	-	15,522,708
Utility users					12,525,315	-	12,525,315
Business license					2,252,134	-	2,252,134
Real property transfer					451,640	-	451,640
Franchise fees					3,181,287	-	3,181,287
Unrestricted motor vehicle license-in-lieu					417,569	-	417,569
Investment income					6,643,125	5,439,977	12,083,102
Other revenue					3,862,329	-	3,862,329
Transfers					182,030	(182,030)	-
Total general revenues and transfers					<u>106,396,217</u>	<u>5,257,947</u>	<u>111,654,164</u>
Change in net assets					18,736,004	21,180,913	39,916,917
Net assets, beginning of fiscal year					427,246,097	351,912,658	779,158,755
Net assets, end of fiscal year					<u>\$ 445,982,101</u>	<u>\$ 373,093,571</u>	<u>\$ 819,075,672</u>

See accompanying notes to the basic financial statements

**CITY OF SANTA BARBARA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008**

		Special Revenue Funds			Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
	General Fund	Redevelopment Agency	Solid Waste	Community Dev Block Grant	Redevelopment Agency		
<u>Assets</u>							
Cash and investments	\$ 16,356,784	\$ 12,874,109	\$ 1,902,150	\$ 1,197	\$ 8,315,611	\$ 22,846,575	\$ 62,296,426
Cash and investments with fiscal agents	-	549,442	-	-	30,740,754	561,279	31,851,475
Accounts receivable	5,993,032	-	1,092,245	409,965	-	1,941,985	9,437,227
Accrued interest receivable	1,633,454	146,905	-	-	-	-	1,780,359
Loans receivable	3,692,282	41,973,405	-	6,886,066	2,300,000	4,980,814	59,832,567
Due from fiduciary funds	327,081	-	-	-	-	-	327,081
Due from other agencies	-	-	-	-	-	455,952	455,952
Interfund receivable	981,176	-	-	-	-	-	981,176
Advances to other funds	3,102,617	-	-	-	-	-	3,102,617
Prepaid assets and deposits	41,139	-	-	-	-	21,716	62,855
Total assets	<u>\$ 32,127,565</u>	<u>\$ 55,543,861</u>	<u>\$ 2,994,395</u>	<u>\$ 7,297,228</u>	<u>\$ 41,356,365</u>	<u>\$ 30,808,321</u>	<u>\$ 170,127,735</u>
<u>Liabilities and Fund Balances</u>							
Liabilities:							
Accounts payable	\$ 1,042,338	\$ 11,456	\$ 287,382	\$ 61,853	\$ 741,116	\$ 1,764,236	\$ 3,908,381
Salaries and benefits payable	4,015,128	-	37,043	9,613	-	297,418	4,359,202
Interest payable	-	209,120	-	-	-	40,456	249,576
Interfund payables	-	-	-	339,696	-	641,480	981,176
Deposits	934,746	14,000	-	-	-	138,859	1,087,605
Unearned revenue	1,110,242	-	-	-	-	-	1,110,242
Deferred revenue	-	-	-	6,883,719	-	4,980,814	11,864,533
Total liabilities	<u>7,102,454</u>	<u>234,576</u>	<u>324,425</u>	<u>7,294,881</u>	<u>741,116</u>	<u>7,863,263</u>	<u>23,560,715</u>
Fund balances:							
Reserved	7,059,969	55,309,285	87,755	2,347	40,615,249	22,945,058	126,019,663
Unreserved:							
Designated	17,965,142	-	-	-	-	-	17,965,142
Undesignated, reported in:							
Special revenue funds	-	-	2,582,215	-	-	-	2,582,215
Total fund balances	<u>25,025,111</u>	<u>55,309,285</u>	<u>2,669,970</u>	<u>2,347</u>	<u>40,615,249</u>	<u>22,945,058</u>	<u>146,567,020</u>
Total liabilities and fund balances	<u>\$ 32,127,565</u>	<u>\$ 55,543,861</u>	<u>\$ 2,994,395</u>	<u>\$ 7,297,228</u>	<u>\$ 41,356,365</u>	<u>\$ 30,808,321</u>	<u>\$ 170,127,735</u>

See accompanying notes to the basic financial statements

CITY OF SANTA BARBARA
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET ASSETS
OF GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET ASSETS
June 30, 2008

Total Governmental fund balances (page 32)		\$ 146,567,020
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities, that are not included in internal service funds, are not financial resources and, therefore, are not reported in the funds. (Note 5)		354,006,732
Deferred issuance costs on a bond refunding must be amortized in the statement of activities over the life of the new bond issue.		1,156,263
Governmental long-term debt is not due and payable in the current period and, therefore, are not reported in the funds. (Note 7)		(72,853,000)
Compensated absences that are not due and payable in the current period and, therefore, are not reported in the funds. (Note 1Q)		(5,583,730)
OPEB obligation is not due and payable in the current period and, therefore, are not reported in the funds. (Note 18)		(1,011,000)
Interest on long-term debt is reported as an expenditure of the governmental funds when paid because it requires the use of current financial resources. However, accrued interest must be recorded when incurred in the government-wide financial statements.		(835,981)
Internal service funds are used by management to charge the costs of management of fleet maintenance, printing and reproduction, worker's compensation, employee benefits, and personal injury and property damage to individual funds. The assets and liabilities are included in the governmental activities in the statement of net assets. (See Statement of Net Assets Proprietary Funds, p. 37)		
Internal Service Funds fund balance	\$ 16,182,680	
Less business-type portion	<u>(3,570,777)</u>	12,611,903
CDBG and HOME loans made or repaid throughout the year are not available for use in the current period and, therefore, are deferred in the funds. (Note 3)		11,866,880
Certain sales tax receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		<u>57,014</u>
Net assets of governmental activities (page 30)		<u><u>\$ 445,982,101</u></u>

See accompanying notes to the basic financial statements

CITY OF SANTA BARBARA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Fiscal Year Ended June 30, 2008

	Special Revenue Funds				Capital Projects Fund	Other	Total
	General Fund	Redevelopment Agency	Solid Waste	Community Dev Block Grant	Redevelopment Agency	Governmental Funds	Governmental Funds
Revenues:							
Taxes	\$ 65,788,913	\$ 18,080,961	\$ 435,536	\$ -	\$ -	\$ 14,209,574	\$ 98,514,984
Franchise fees	2,829,559	-	-	-	-	351,728	3,181,287
Intergovernmental	2,678,225	-	91,591	1,454,357	111,741	12,361,797	16,697,711
Fines and forfeitures	2,709,282	-	-	-	-	1,626,037	4,335,319
Use of money and property	2,600,533	1,378,942	-	-	1,875,805	776,394	6,631,674
Charges for services	18,749,956	54,615	16,000,741	-	-	672,307	35,477,619
Program income	-	-	-	279,991	-	3,344	283,335
Other revenues	7,504,313	477,673	200,302	-	1,312	1,050,232	9,233,832
Total revenues	102,860,781	19,992,191	16,728,170	1,734,348	1,988,858	31,051,413	174,355,761
Expenditures:							
Current:							
Mayor and council	800,738	-	-	-	-	-	800,738
City attorney	2,109,104	-	-	-	-	-	2,109,104
City administration	2,163,842	-	-	-	-	-	2,163,842
Administrative services	2,272,640	-	-	-	-	-	2,272,640
Finance	4,660,727	-	-	-	-	-	4,660,727
Public safety	53,679,636	-	-	-	-	428,984	54,108,620
Public works	6,498,273	-	16,973,500	-	-	15,143,153	38,614,926
Community services	19,011,156	-	-	-	-	2,408,901	21,420,057
Community development	10,905,192	4,051,481	-	1,732,756	-	1,324,579	18,014,008
Community promotions	1,884,114	-	-	-	-	-	1,884,114
Capital improvements	-	-	-	-	4,689,297	12,479,711	17,169,008
Debt service:							
Principal	-	440,000	-	-	1,140,000	3,496,000	5,076,000
Interest	-	228,825	-	-	2,910,984	319,092	3,458,901
Total expenditures	103,985,422	4,720,306	16,973,500	1,732,756	8,740,281	35,600,420	171,752,685
Excess (deficiency) of revenues over (under) expenditures	(1,124,641)	15,271,885	(245,330)	1,592	(6,751,423)	(4,549,007)	2,603,076
Other financing sources (uses):							
Transfers in	499,546	-	-	-	9,750,351	6,041,451	16,291,348
Transfers out	(2,557,633)	(12,504,339)	(16,035)	(1,592)	(2,093)	(1,472,052)	(16,553,744)
Total other financing sources (uses)	(2,058,087)	(12,504,339)	(16,035)	(1,592)	9,748,258	4,569,399	(262,396)
Net change in fund balances	(3,182,728)	2,767,546	(261,365)	-	2,996,835	20,392	2,340,680
Fund balances, beginning of fiscal year	28,207,839	52,541,739	2,931,335	2,347	37,618,414	22,924,666	144,226,340
Fund balances, end of fiscal year	\$ 25,025,111	\$ 55,309,285	\$ 2,669,970	\$ 2,347	\$ 40,615,249	\$ 22,945,058	\$ 146,567,020

See accompanying notes to the basic financial statements

CITY OF SANTA BARBARA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
Fiscal Year Ended June 30, 2008

Amounts reported for governmental activities in the statement of activities (page 31) are different because:

Net change in fund balances - total governmental funds (page 34)	\$ 2,340,680
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	
Expenditures for general capital assets, infrastructure, and other related capital	\$ 15,006,798
Less current year depreciation	<u>(5,609,153)</u> 9,397,645
Repayment of debt principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	5,076,000
Loans made and repayments received are expenditures or revenues in the governmental funds, but the repayments reduce, and new loans increase, loans receivable in the Statement of net Assets.	377,690
Amortization of deferred debt costs in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	(16,286)
Governmental funds report interest on long-term debt as expenditures when paid, whereas these amounts are deferred and reported in the period when the liability exists in the statement of activities	66,982
OPEB obligation costs in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	(1,011,000)
Internal service funds are used by management to charge the costs of certain services to individual funds. The net revenue of certain activities of internal service funds is reported as governmental activities. (See Statement of Revenues, Expenses, and Changes in Fund Net Assets Proprietary Funds p. 38)	
Change in net assets - Internal service funds	6,345,137
Less: amount related to enterprise funds	<u>(3,570,777)</u> 2,774,360
Governmental liabilities for compensated absences are not due until payable in the governmental funds, therefore, the changes in the liability are not reported as as expenditures in the governmental funds.	(241,680)
Certain sales tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(28,387)
Adjusted change in net assets of governmental activities (page 31)	<u><u>\$ 18,736,004</u></u>

See accompanying notes to the basic financial statements

CITY OF SANTA BARBARA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2008

	Water	Wastewater	Airport
<u>Assets</u>			
Current assets:			
Cash and investments	\$ 32,654,600	\$ 11,609,125	\$ 15,109,113
Accounts receivable, net	3,992,074	1,271,110	-
Due from other agencies	-	-	302,564
Inventory	-	-	-
Prepaid assets	3,960,312	-	-
Total current assets	<u>40,606,986</u>	<u>12,880,235</u>	<u>15,411,677</u>
Non-current assets:			
Other assets:			
Restricted assets:			
Cash and investments with fiscal agents	1,890,324	6,499,464	-
Unamortized bond issuance costs, net	298,522	394,778	-
Deferred charge-loss on defeasance, net	940,158	-	-
Loans receivable	6,253,234	-	-
Total other assets	<u>9,382,238</u>	<u>6,894,242</u>	<u>-</u>
Capital Assets:			
Land	2,218,187	3,508,672	7,310,000
Buildings	6,262,226	13,953,411	3,964,543
Building improvements	1,307,478	453,788	2,432,486
Improvements other than building	122,465,447	32,836,500	103,201,645
Equipment	7,827,586	11,587,645	4,411,853
Underground piping	101,607,930	72,699,240	-
Other Infrastructure	-	-	14,885,287
Construction in progress	6,783,337	15,152,754	26,499,716
Less: accumulated depreciation	(109,184,573)	(69,405,507)	(47,660,843)
Total capital assets, net	<u>139,287,618</u>	<u>80,786,503</u>	<u>115,044,687</u>
Total non-current assets	<u>148,669,856</u>	<u>87,680,745</u>	<u>115,044,687</u>
Total assets	<u>189,276,842</u>	<u>100,560,980</u>	<u>130,456,364</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	800,726	797,869	1,746,650
Accrued interest payable	284,923	129,000	-
Salaries and benefits payable	298,172	204,987	209,555
Deposits	149,034	-	910,769
Deferred revenue	6,253,233	-	436,005
Compensated absences payable	344,933	231,909	221,249
Current portion claims payable	-	-	-
Current portion long term debt	2,990,660	580,000	98,917
Total current liabilities	<u>11,121,681</u>	<u>1,943,765</u>	<u>3,623,145</u>
Non-current liabilities:			
Long-term debt, net of current portion	50,271,843	17,520,000	2,257,291
Compensated absences payable	38,326	25,768	24,583
Unamortized bond premium	-	-	-
Advances from other funds	-	-	-
Estimated claims liability, net of current portion	-	-	-
Total noncurrent liabilities	<u>50,310,169</u>	<u>17,545,768</u>	<u>2,281,874</u>
Total liabilities	<u>61,431,850</u>	<u>19,489,533</u>	<u>5,905,019</u>
<u>Net Assets</u>			
Unreserved - designated:			
Other			
Invested in capital assets, net of related debt	86,025,115	62,686,503	112,688,479
Restricted for capital projects	1,805	5,131,743	-
Restricted for debt service	1,888,519	1,367,721	-
Unrestricted	39,929,553	11,885,480	11,862,866
Total net assets	<u>\$ 127,844,992</u>	<u>\$ 81,071,447</u>	<u>\$ 124,551,345</u>
Adjustment to reflect the consolidation of internal service activities related to enterprise funds			
Net assets of business-type activities			

See accompanying notes to the basic financial statements

Waterfront	Nonmajor Proprietary Funds	Total Proprietary Funds	Governmental Activities - Internal Service Funds
\$ 9,126,807	\$ 9,525,910	\$ 78,025,555	\$ 22,827,201
(500)	7,498	5,270,182	60,390
-	-	302,564	-
-	-	-	791,813
-	-	3,960,312	-
<u>9,126,307</u>	<u>9,533,408</u>	<u>87,558,613</u>	<u>23,679,404</u>
1,393,693	-	9,783,481	-
542,800	-	1,236,100	-
798,070	106,639	1,844,867	-
-	-	6,253,234	-
<u>2,734,563</u>	<u>106,639</u>	<u>19,117,682</u>	<u>-</u>
878,201	5,286,073	19,201,133	-
3,690,671	5,876,451	33,747,302	105,889
3,246,573	90,749	7,531,074	162,584
45,448,619	6,645,365	310,597,576	257,165
1,043,352	1,186,533	26,056,969	18,072,058
-	-	174,307,170	-
-	-	14,885,287	-
381,204	1,802,680	50,619,691	174,477
(35,726,981)	(8,078,977)	(270,056,881)	(13,457,296)
<u>18,961,639</u>	<u>12,808,874</u>	<u>366,889,321</u>	<u>5,314,877</u>
<u>21,696,202</u>	<u>12,915,513</u>	<u>386,007,003</u>	<u>5,314,877</u>
<u>30,822,509</u>	<u>22,448,921</u>	<u>473,565,616</u>	<u>28,994,281</u>
134,474	169,469	3,649,188	721,950
202,739	1,578	618,240	-
243,109	223,551	1,179,374	293,937
510,118	40,672	1,610,593	-
189,485	16,302	6,895,025	-
270,249	146,561	1,214,901	316,452
-	-	-	2,337,637
<u>565,000</u>	<u>124,100</u>	<u>4,358,677</u>	<u>-</u>
<u>2,115,174</u>	<u>722,233</u>	<u>19,525,998</u>	<u>3,669,976</u>
15,550,000	1,337,900	86,937,034	-
30,028	16,284	134,989	-
151,545	-	151,545	-
3,002,617	100,000	3,102,617	-
-	-	-	3,332,264
<u>18,734,190</u>	<u>1,454,184</u>	<u>90,326,185</u>	<u>3,332,264</u>
<u>20,849,364</u>	<u>2,176,417</u>	<u>109,852,183</u>	<u>7,002,240</u>
-	-	-	-
2,846,639	11,346,874	275,593,610	5,314,877
431	-	5,133,979	-
1,393,263	-	4,649,503	-
<u>5,732,812</u>	<u>8,925,630</u>	<u>78,336,341</u>	<u>16,677,164</u>
<u>\$ 9,973,145</u>	<u>\$ 20,272,504</u>	<u>363,713,433</u>	<u>\$ 21,992,041</u>
		9,380,138	
		<u>\$ 373,093,571</u>	

CITY OF SANTA BARBARA
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS
PROPRIETARY FUNDS
Fiscal Year Ended June 30, 2008

	Water	Wastewater	Airport
Operating Revenues:			
Charges for sales and services			
Sales	\$ 29,448,078	\$ 12,797,802	\$ -
Service charges	3,125,017	659,231	2,282,685
Leases and rents	-	-	12,872,959
Other revenues	37,045	13,758	295,032
Total operating revenues	<u>32,610,140</u>	<u>13,470,791</u>	<u>15,450,676</u>
Operating Expenses:			
Salaries, wages and benefits	6,602,876	4,718,892	4,485,030
Materials, supplies and services	14,680,769	5,966,509	7,886,362
Depreciation	6,126,607	3,514,001	4,294,191
Other expenses	37,368	32,950	5,092
Total operating expenses	<u>27,447,620</u>	<u>14,232,352</u>	<u>16,670,675</u>
Operating income (loss)	<u>5,162,520</u>	<u>(761,561)</u>	<u>(1,219,999)</u>
Non-operating Revenues (Expenses):			
Taxes	-	-	-
Investment income	2,151,331	1,037,851	1,031,359
Interest expense	(1,847,988)	(786,108)	(124,583)
Other, net	36,592	(21,504)	-
Total non-operating revenues (expenses)	<u>339,935</u>	<u>230,239</u>	<u>906,776</u>
Income (loss) before contributions and transfers	5,502,455	(531,322)	(313,223)
Capital Contributions	32,736	9,236	11,860,445
Transfers in	-	-	-
Transfers out	<u>(106,202)</u>	<u>(69,464)</u>	<u>(14,042)</u>
Change in net assets	5,428,989	(591,550)	11,533,180
Net assets, beginning of year	<u>122,416,003</u>	<u>81,662,997</u>	<u>113,018,165</u>
Net assets, end of year	<u>\$ 127,844,992</u>	<u>\$ 81,071,447</u>	<u>\$ 124,551,345</u>

Adjustment to reflect the consolidation of internal service activities related to enterprise funds
Change in net assets of business-type activities (page 31)

See accompanying notes to the basic financial statements

Waterfront	Nonmajor Proprietary Funds	Total Proprietary Funds	Governmental Activities - Internal Service Funds
\$ -	\$ -	\$ 42,245,880	\$ -
6,807,794	7,732,078	20,606,805	18,632,525
4,314,203	310,213	17,497,375	-
117,217	7,640	470,692	219,348
<u>11,239,214</u>	<u>8,049,931</u>	<u>80,820,752</u>	<u>18,851,873</u>
5,096,152	4,534,546	25,437,496	6,361,349
3,972,941	3,411,833	35,918,414	6,508,907
1,579,956	561,933	16,076,688	1,210,894
-	-	75,410	-
<u>10,649,049</u>	<u>8,508,312</u>	<u>77,508,008</u>	<u>14,081,150</u>
<u>590,165</u>	<u>(458,381)</u>	<u>3,312,744</u>	<u>4,770,723</u>
-	864,671	864,671	-
659,075	560,361	5,439,977	1,089,072
(922,297)	(65,887)	(3,746,863)	-
(61,931)	-	(46,843)	40,916
<u>(325,153)</u>	<u>1,359,145</u>	<u>2,510,942</u>	<u>1,129,988</u>
265,012	900,764	5,823,686	5,900,711
66,063	-	11,968,480	-
-	36,420	36,420	474,324
<u>(14,803)</u>	<u>(13,939)</u>	<u>(218,450)</u>	<u>(29,898)</u>
316,272	923,245	17,610,136	6,345,137
<u>9,656,873</u>	<u>19,349,259</u>		<u>15,646,904</u>
<u>\$ 9,973,145</u>	<u>\$ 20,272,504</u>		<u>\$ 21,992,041</u>
		<u>3,570,777</u>	
		<u>\$ 21,180,913</u>	

**CITY OF SANTA BARBARA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Fiscal Year Ended June 30, 2008**

	Water	Wastewater	Airport
Cash flows from operating activities:			
Cash received from services	\$ 32,014,094	\$ 13,339,985	\$ 2,277,593
Cash received from rents and leases	-	-	12,764,614
Cash payments for goods and services	(14,962,451)	(6,213,775)	(11,105,438)
Cash payments to employees for services	(6,588,658)	(4,672,843)	(4,452,994)
Cash received (returned) for deposits	14,689	-	(37,457)
Other operating receipts	37,045	13,758	295,032
Other operating disbursements	(37,368)	(32,950)	-
Net cash provided (used) by operating activities	<u>10,477,351</u>	<u>2,434,175</u>	<u>(258,650)</u>
Cash flows from noncapital financing activities:			
Transfers to other funds	(106,202)	(69,464)	(14,042)
Transfers from other funds	-	-	-
Cash received from taxes and assessments	-	-	-
Other, net	36,592	-	-
Net cash provided (used) by non-capital financing activities	<u>(69,610)</u>	<u>(69,464)</u>	<u>(14,042)</u>
Cash flows from capital and related financing activities:			
Proceeds from capital debt	-	-	(94,131)
Proceeds from capital grants and contributions	32,736	9,236	16,791,627
Payments on long term debt	(2,801,656)	(546,201)	-
Acquisition of capital assets	(4,223,740)	(3,717,457)	(22,293,774)
Disposition of capital assets	-	-	-
Interest paid on debt	(1,863,615)	(810,612)	(124,583)
Net cash used for capital and related financing activities	<u>(8,856,275)</u>	<u>(5,065,034)</u>	<u>(5,720,861)</u>
Cash flows from investing activities:			
Cash received on investments	<u>2,151,331</u>	<u>1,037,851</u>	<u>1,031,359</u>
Net increase (decrease) in cash and cash equivalents	3,702,797	(1,662,472)	(4,962,194)
Cash and cash equivalents, beginning of fiscal year	<u>30,842,127</u>	<u>19,771,061</u>	<u>20,071,307</u>
Cash and cash equivalents, end of fiscal year	<u><u>\$ 34,544,924</u></u>	<u><u>\$ 18,108,589</u></u>	<u><u>\$ 15,109,113</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 5,162,520	\$ (761,561)	\$ (1,219,999)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	6,126,607	3,514,001	4,294,191
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	(559,001)	(117,048)	-
(Increase) decrease in inventories	-	-	-
(Increase) decrease in prepaid assets	139,088	-	-
Increase (decrease) in accounts payable	(420,770)	(247,266)	(3,219,076)
Increase (decrease) in accrued salaries payable	49,655	26,862	32,164
Increase (decrease) in deferred revenue	-	-	(108,345)
Increase (decrease) in accrued compensated absences	(35,437)	19,187	(128)
Increase (decrease) in accrued claims	-	-	-
Increase (decrease) in deposits	14,689	-	(37,457)
Net cash provided (used) by operating activities	<u><u>\$ 10,477,351</u></u>	<u><u>\$ 2,434,175</u></u>	<u><u>\$ (258,650)</u></u>

See accompanying notes to the basic financial statements

Waterfront	Nonmajor Proprietary Funds	Total Proprietary Funds	Governmental Activities Internal Service Funds
\$ 6,820,775	\$ 1,948,557	\$ 56,401,004	\$ 18,621,105
4,315,886	6,120,556	23,201,056	-
(4,101,975)	(3,447,497)	(39,831,136)	(9,026,078)
(5,041,887)	(4,491,808)	(25,248,190)	(6,265,025)
8,445	4,741	(9,582)	-
117,217	7,640	470,692	219,348
-	-	(70,318)	-
<u>2,118,461</u>	<u>142,189</u>	<u>14,913,526</u>	<u>3,549,350</u>
(14,803)	(13,939)	(218,450)	(29,898)
-	36,420	36,420	474,324
-	864,671	864,671	-
(61,931)	-	(25,339)	-
<u>(76,734)</u>	<u>887,152</u>	<u>657,302</u>	<u>444,426</u>
(122,148)	-	(216,279)	-
66,063	-	16,899,662	-
(490,533)	(119,000)	(3,957,390)	-
(1,369,515)	(406,355)	(32,010,841)	(1,409,603)
-	-	-	40,916
<u>(927,767)</u>	<u>(53,645)</u>	<u>(3,780,222)</u>	<u>-</u>
<u>(2,843,900)</u>	<u>(579,000)</u>	<u>(23,065,070)</u>	<u>(1,368,687)</u>
659,075	660,361	5,539,977	1,089,072
(143,098)	1,110,702	(1,954,265)	3,714,161
<u>10,663,598</u>	<u>8,415,208</u>	<u>89,763,301</u>	<u>19,113,040</u>
<u>\$ 10,520,500</u>	<u>\$ 9,525,910</u>	<u>\$ 87,809,036</u>	<u>\$ 22,827,201</u>
\$ 590,165	\$ (458,381)	\$ 3,312,744	\$ 4,770,723
1,579,956	561,933	16,076,688	1,210,894
12,981	10,520	(652,548)	(11,420)
-	-	-	(59,070)
-	-	139,088	-
(129,034)	(35,664)	(4,051,810)	519,684
32,455	33,302	174,438	56,661
1,683	16,302	(90,360)	-
21,810	9,436	14,868	39,663
-	-	-	(2,977,785)
8,445	4,741	(9,582)	-
<u>\$ 2,118,461</u>	<u>\$ 142,189</u>	<u>\$ 14,913,526</u>	<u>\$ 3,549,350</u>

**CITY OF SANTA BARBARA
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
June 30, 2008**

	Pension Trust Funds	Private Purpose Trust Funds	Agency Funds
<u>Assets</u>			
Current assets:			
Cash and investments	\$ -	\$ 2,491,144	\$ 1,082,641
Accounts receivable, net	-	303	20,713
Loans receivable	-	-	2,007,133
Total current assets	<u>-</u>	<u>2,491,447</u>	<u>3,110,487</u>
Capital assets:			
Equipment	-	-	878,164
Less: accumulated depreciation	<u>-</u>	<u>-</u>	<u>(866,164)</u>
Capital assets, net	<u>-</u>	<u>-</u>	<u>12,000</u>
Other assets:			
Cash and investments with fiscal agents:			
Cash and cash equivalents	55,625	-	96,460
Other investments	<u>459,688</u>	<u>-</u>	<u>-</u>
Total other assets	<u>515,313</u>	<u>-</u>	<u>96,460</u>
Total assets	<u>515,313</u>	<u>2,491,447</u>	<u>\$ 3,218,947</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	-	578	2,412
Accrued benefits payable	5,132	-	-
Due to other Governments	<u>320,432</u>	<u>-</u>	<u>6,649</u>
Total current liabilities	<u>325,564</u>	<u>578</u>	<u>9,061</u>
Noncurrent liabilities:			
Trust liabilities	-	-	255,501
Contributions	<u>-</u>	<u>-</u>	<u>2,954,385</u>
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>3,209,886</u>
Total liabilities	<u>325,564</u>	<u>578</u>	<u>\$ 3,218,947</u>
<u>Net Assets</u>			
Held in trust for pension benefits and other purposes:			
Employees' pension benefit	189,749	-	
Police	-	23,389	
Library	-	2,465,942	
Parks and recreation	<u>-</u>	<u>1,538</u>	
Total net assets	<u>\$ 189,749</u>	<u>\$ 2,490,869</u>	

See accompanying notes to the basic financial statements

CITY OF SANTA BARBARA
STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
Fiscal Year Ended June 30, 2008

	<u>Pension Trust Funds</u>	<u>Private Purpose Trust Funds</u>
Additions		
Contributions:		
Private donations	\$ -	\$ 73,973
Investment earnings:		
Interest	12,710	106,235
Dividends	10,353	-
Net change in fair value of investments	(15,900)	-
Refund of investment fees	37,058	-
Total investment earnings	<u>44,221</u>	<u>106,235</u>
Less investment expense	<u>23,359</u>	<u>-</u>
Net investment income	<u>20,862</u>	<u>106,235</u>
Total additions	<u>20,862</u>	<u>180,208</u>
Deductions		
Benefits	242,424	-
Community services	<u>-</u>	<u>65,566</u>
Total deductions	<u>242,424</u>	<u>65,566</u>
Net increase (decrease)	(221,562)	114,642
Net assets, beginning of fiscal year	<u>411,311</u>	<u>2,376,227</u>
Net assets, end of fiscal year	<u><u>\$ 189,749</u></u>	<u><u>\$ 2,490,869</u></u>

See accompanying notes to the basic financial statements



Notes To The
Basic Financial Statements

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Santa Barbara (City) conform to generally accepted accounting principles. The following summary of the City's more significant accounting policies is presented to assist the reader in interpreting the basic financial statements and other data in this report. These policies should be viewed as an integral part of the accompanying basic financial statements.

A. Description of the Financial Reporting Entity

The City's reporting entity includes the City (the primary government) and its component units. In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," which the City adopted effective July 1, 1993. The basic, but not the only, criterion for including a potential component unit within the City's reporting entity is whether the City Council, as the City's governing body, has financial accountability for the potential component unit. The most significant manifestations of financial accountability include the ability of the Council to appoint a voting majority of the organization's governing body and the ability to impose its will on the organization; or that there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. The City may be deemed to be financially accountable if an organization is fiscally dependent on the City regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government or a jointly appointed board. In addition to those organizations for which the City may be financially accountable, other organizations for which the City is not financially accountable, but for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete, may also be component units. Component units are presented on a "blended" basis when the component unit's governing body is substantially the same as the City's or the component unit provides services almost entirely to the City. In a blended presentation, a component unit's balances and transactions are reported in a manner similar to the balances and transactions of the City. Based upon the application of these criteria, the following is a brief review of the City and each component unit within the City's reporting entity.

City of Santa Barbara

The City of Santa Barbara (the primary government) was incorporated on August 26, 1850. The City is a charter city under the laws of the State of California and operates under a Council-Administrator form of government. The Council consists of six council members and a mayor, all of whom are elected at-large. The current City Charter was adopted on May 2, 1967 and provides for the following services: public safety (police and fire), construction and maintenance of highways and streets, sanitation, culture and recreation, public improvements, planning, zoning and general administration. Enterprise and Fiduciary funds, operated in a manner similar to a private business, include water, wastewater, airport, parking, golf and waterfront.

Redevelopment Agency of the City of Santa Barbara

The Redevelopment Agency of the City of Santa Barbara (Agency), a blended component unit of the City, was established in 1968 and is a separate governmental entity as prescribed in the State of California's Community Redevelopment law as set forth in the State's Health and Safety Code.

The liabilities of the Agency are mutually exclusive from those of the City. The inclusion of the Agency's operations in the accompanying basic financial statements does not express or imply any assumption of liability by the City, either now or in the future. The City Council of the City of Santa Barbara and the Board of Directors of the Agency are legally separate boards; however, they share common membership. The Agency Board consists of members of the City Council. The City also provides all support staff and performs all administrative functions for the Agency under the terms of a written agreement between the two entities. Accordingly, although it is legally separate from the City, the Agency is reported as if it were part of the City because its sole purpose is to provide for redevelopment activities within the City and it has the same governing body. Separate component unit financial statements for the Agency may be obtained on

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the City's web site at: www.SantaBarbaraCa.gov/Government/Finance/CAFR. California Community Redevelopment law provides that, upon adoption of a redevelopment plan for a specific area, future incremental tax revenues attributable to increases in the tax base within the project area shall be paid to finance the project. Accordingly, for purposes of its comprehensive annual financial report, the City records the Agency's operating fund as a special revenue fund.

Santa Barbara Public Facilities Corporation

The Santa Barbara Public Facilities Corporation ("Corporation") was incorporated in 1986 and organized pursuant to the Nonprofit Public Benefit Corporation Law of the State of California. The Corporation was created solely for the purpose of providing financial assistance to the City by acquiring, constructing, improving, developing and installing certain real and personal property for the use, benefit and enjoyment of the City. The activities of the Corporation are included within the Water Enterprise Fund of the City. For further information, please contact the City's Finance Department.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are separately aggregated and reported as non-major funds.

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net assets (i.e., fund balances) as presented in these statements to the net assets presented in the Government-wide financial statements.

Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses, and Changes in Fund Net Assets, and a Statement of Cash Flows for each proprietary fund and non-major funds aggregated. A column representing internal service funds is also presented in these statements. However, a portion of the internal service balances and activities have been combined with the governmental activities in the Government-wide financial statements.

The following are the major governmental funds of the City:

- The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Redevelopment Agency Special Revenue Fund*, a blended component unit of the City, accounts for all financial activities of the Agency, except for those required for debt service and housing activity.

CITY OF SANTA BARBARA
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- The *Solid Waste Special Revenue Fund* accounts for refuse revenues received from customers, payments remitted to the trash haulers, and franchise and recycling fees paid by haulers that are used for recycling programs in the City.
- The *Redevelopment Agency Capital Projects Fund* accounts for all capital projects, including some related debt, financed by the Agency.
- The *Community Development Block Grant Special Revenue Fund* accounts for the financial resources provided by the federal government for housing and rental needs, housing and rehabilitation loans and grants, as well as low and moderate income housing programs.

The following are the major proprietary funds of the City:

- The *Water Fund* accounts for the provisions of water services to the residents of the City and some residents of the County.
- The *Wastewater Fund* accounts for the provision of sewer services to the residents of the City and some residents of the County.
- The *Airport Fund* accounts for the operation of the municipal airport and the administration of leases of airport property.
- The *Waterfront Fund* accounts for the operation of the City managed waterfront that includes a public wharf, a small craft harbor, and parking facilities.

Additionally, the City reports the following fund types:

- *Internal Service Funds* account for 1) a maintenance facility for fleet and motor pool equipment used by all City departments and City-wide building maintenance operations, 2) Information Systems and computer support services, and 3) self-insurance operations of workers' compensation, unemployment, and general liability insurance coverage.
- *Private Purpose Trust Funds* are used to account for resources legally held in trust for use by a not-for-profit organization devoted to library book replacement and promoting junior golf. All resources of the funds, including any earnings on invested resources, may be used to support the organization's activities. There is no requirement that any portion of these resources be preserved as capital.
- The *Pension Trust Fund* accounts for the activities of the Safety Retirement Fund and the Service Retirement Fund that accumulates resources for pension benefit payments to qualified safety employees.
- *Agency Funds* are used to report resources held by the City in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the proprietary funds' financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales tax are recognized when the underlying transactions take place. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the granting agency have been met.

Governmental funds are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities

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of the current period. For this purpose, the City considers revenue to be available if they are collected within 60 days of the end of the current fiscal period.

Property and sales taxes, utility users' taxes, transient occupancy taxes, franchise taxes, licenses and other charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as "other financing sources."

For its *business-type activities* and enterprise funds, the City has elected under Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board or any Accounting Research Bulletins issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The City has elected not to follow subsequent private-sector guidance. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards that, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes accounting principles generally accepted in the United States of America (GAAP) for governmental units.

D. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary accounting in the Primary Government. Year-end encumbrances are re-appropriated in the following year and expended as the related liability is incurred. Outstanding encumbrances at year-end are recorded as reservations of fund balance.

E. Capital Assets

Capital assets which include land, buildings, improvements to buildings, improvements other than buildings, equipment, construction in progress, and infrastructure (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide basic financial statements. Capital assets are defined by the City as assets with an estimated useful life in excess of one year and an initial individual cost of \$10,000 or more for equipment, \$25,000 or more for building improvements and other improvements, \$50,000 or more for buildings and \$100,000 or more for infrastructure. Such assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are charged to operations when incurred. Betterments and major improvements, which significantly increase values, change capacities or extend useful lives, are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in results of operations.

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Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the year ended June 30, 2008.

Capital assets (except land, works of art and construction in progress) of the primary government, as well as the component unit of the Redevelopment Agency, are depreciated using the straight-line method using the estimated useful lives listed below.

	<u>Years</u>
Buildings	40-50
Building Improvements	40-50
Improvements other than Buildings	25-50
Equipment	5-20
Infrastructure (except for the maintained pavement subsystem)	10-100

The City has networks of infrastructure assets such as roads, water and wastewater treatment plants, drainage systems and sidewalks. The streets pavement subsystem of the road network is reported using the modified approach. The City has established a pavement condition assessment process. Approximately one-third of the entire sub-system is assessed on a rotating basis each year. The City's streets pavement subsystem has been classified as roads with or without formal structural sections. Each road segment is rated and given a Pavement Condition Index (PCI) value from zero to one hundred (0-100), where PCI's of 40 or higher are assigned to be in "Fair" or better condition, and roads with PCI's of 55 or higher to be in "Good" or better condition. Accordingly, depreciation is not reported for this subsystem and all costs, except for betterments and major improvements made to the subsystem, are expensed rather than capitalized.

The City completed capitalization of infrastructure assets pursuant to GASB 34 in the fiscal year ended June 30, 2006.

F. Assets Available for Resale

Assets available for resale within the City's Redevelopment Agency are recorded in the Agency's fund at the lower of cost or realizable value. Realizable value is determined by an agreed-upon sale price with a developer. Capitalized costs include all moneys expended in the redevelopment process that can be properly attributed to properties to be resold to developers. There were no assets held for resale at June 30, 2008.

G. Description of Program Revenue

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes except special assessments, which are program revenues.

H. Definition of Operating and Non-operating Revenues

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Non-operating* revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. The principal operating revenues of the water, wastewater, parking, golf, airport and waterfront enterprise funds and the City's internal service funds are charges to customers for sales and services. The enterprise funds also recognize as operating revenue service charges, leases and rents, and miscellaneous revenue. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

I. Cash and Cash Equivalents

The cash flow statements require presentation of "cash and cash equivalents." For the purposes of the statement of cash flows, the City considers all proprietary fund pooled cash and investments as "cash and cash equivalents," as such funds

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are available to the various funds as needed. With respect to cash and investments with fiscal agents, the City considers all investments with an original maturity of less than three months to be cash equivalents.

J. Restricted Assets

The City has funds held by trustees or fiscal agents pledged to the payment or security of bonds and certificates of participation and are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The California Government Code provides that these funds, in absence of specific statutory provisions governing the issuance of bonds or certificates, may be invested in accordance with the ordinance, resolutions, or indentures specifying the types of investments the trustees or fiscal agents may make.

K. Flow Assumption for Restricted Resources

When both restricted and unrestricted resources are available for use, it is the City's policy for all fund types to use restricted resources first, and then unrestricted resources as they are needed.

L. Budgetary Principles

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the Miscellaneous Grants fund and the FEMA Reimbursement Storm special revenue fund. Annual budgets are also adopted for the enterprise and internal service funds. Effective fiscal control for debt service is achieved through bond indenture provisions. While budgets are prepared for the City's capital projects funds, capital projects generally span more than one year and are effectively controlled at the project level.

In early February of each year, departments submit their proposed budgets to the City Administrator. These proposals are reviewed and considered, and adjusted as necessary based on funding limitations and priorities. In April, the City Administrator presents a recommended budget to the City Council. From April through mid-June, public hearings are held and the recommended budget is reviewed in detail with the Council Finance Committee and City Council. The budget is adopted by June 30.

There were no violations of the budget in fiscal year 2008.

M. Investment Policies

Effective July 1, 1997, the City adopted the provisions of GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and External Investments Pools*, which requires that governmental entities, including governmental external investment pools, report certain investments at fair value in the balance sheet and recognize the corresponding change in the fair value of investments in the year in which the change occurred.

The fair value of pooled investments is determined annually and is based on current market prices received from the City's securities custodian. The Local Agency Investment Fund (LAIF) is required to invest in accordance with State statutes. At June 30, 2008, the fair value of the City's position in LAIF is the same as the value of the pool shares. Investments held in the Pension Trust Funds are stated at fair value. Short-term investments are reported at cost, which approximates fair value.

The City has developed a formal investment policy that is more restrictive than the State of California Government Code. The policy is adopted annually by the City Council. The City has adhered to established policies for all investment activities.

All of the City's deposits, except certain cash balances held by fiscal agents, are entirely insured or collateralized. The California Government Code requires California banks and savings and loans to secure the City's deposits by pledging government securities as collateral. The fair value of the pledged securities must equal 110% of the City's deposits. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes equal

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to 150% of the City's deposits. The City may waive collateral requirements for deposits, which are fully insured up to \$100,000 by the Federal Deposit Insurance Corporation (FDIC).

N. Receivables and Payables (Inter-fund Transactions)

Interfund transactions are reflected as either loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the *governmental activities* and the *business-type activities* are reported in the government-wide financial statements as "internal balances". Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not currently available for appropriation and are not available financial resources.

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

O. Property Tax Calendar

In 1978, a State constitutional amendment (Article XIII A) provided that the ad valorem real property tax rate be limited to 1% of market value and be levied only by the county and shared with all other jurisdictions. The County of Santa Barbara collects the property taxes and distributes them to taxing jurisdictions on the basis of the taxing jurisdictions' assessed valuations, subject to adjustments for voter-approved debt. Property taxes are formally due on November 1 and February 1 and become delinquent as of December 10 and April 10 respectively. Taxes become a lien on the property effective March 1 of the preceding year.

P. Inventories and Prepaid Assets

Inventories are stated at cost (first-in, first-out basis) for governmental funds and lower of average cost or market for proprietary funds. Governmental fund inventories are recorded as expenses when consumed rather than when purchased. Proprietary fund inventories consist primarily of materials and supplies held for consumption. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Q. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. For fire safety employees the value of the sick pay benefit is converted to additional years of service for purposes of calculating retirement benefits provided by the Public Employees Retirement System (PERS) and the employee is, therefore, compensated through an increased retirement benefit. All other employees upon retirement and with a minimum of 500 hours of accumulated sick pay benefits may elect to have an annuity or the cash value of an annuity for the value of those accumulated hours, calculated based on comparable actuarial assumptions used by PERS.

Governmental funds recognize the cost of vacation benefits when payments are made to employees. As shown in the table below, 90 percent of the liability for compensated absences in both the governmental activities and the business-type activities at June 30, 2008, is deemed current and expected to be paid within the next 12 months with current financial resources. The total amount outstanding at June 30, 2008, was \$5,900,182 and \$1,349,890 for governmental and business-type activities, respectively.

CITY OF SANTA BARBARA
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	Beginning Balance July 1, 2007	Additions	Deductions	Ending Balance June 30, 2008	Due Within One Year	Due in More Than One Year
Governmental Activities:						
Governmental funds	\$ 5,342,049	\$ 5,371,658	\$ 5,129,977	\$ 5,583,730	\$ 5,025,357	\$ 558,373
Internal service funds	276,789	305,464	265,801	316,452	284,807	31,645
Compensated Absences	<u>\$ 5,618,838</u>	<u>\$ 5,677,122</u>	<u>\$ 5,395,778</u>	<u>\$ 5,900,182</u>	<u>\$ 5,310,164</u>	<u>\$ 590,018</u>
Business-Type Activities:						
Compensated Absences	<u>\$ 1,335,021</u>	<u>\$ 1,296,891</u>	<u>\$ 1,282,022</u>	<u>\$ 1,349,890</u>	<u>\$ 1,214,901</u>	<u>\$ 134,989</u>

R. Long-term Obligations and Refunding of Debt

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs and gains and losses on defeasance, are deferred and amortized over the life of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs and gains and losses on defeasance, during the current period. The proceeds of long-term debt issued are reported as "other financing sources," net of issuance costs. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Effective July 1, 1993, the City implemented GASB Statement No. 23, "Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities." Consequently, amounts which previously would have been reported as an accounting "loss on defeasance of debt" are now deferred and amortized as a component of interest expense over the remaining life of the new debt.

S. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

T. Allocated Costs Policy

Expenses reported for functional activities include allocated indirect expenses pursuant to a cost allocation plan prepared in accordance with OMB Circular A-87.

NOTE 2. DEPOSITS AND INVESTMENTS

Cash and investments as of June 30, 2008 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$ 163,149,182
Cash and investments with fiscal agents	41,634,956
Fiduciary funds:	
Cash and investments	3,573,785
Cash and investments with fiscal agents	611,773
Total cash and investments	<u>\$ 208,969,696</u>

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Cash and investments as of June 30, 2008 consist of the following:

Cash on hand	\$ 51,925
Demand deposit accounts with financial institutions	3,635,555
Investments	205,282,216
Total cash and investments	<u><u>\$ 208,969,696</u></u>

Investments Authorized by the California Government Code and the City's Investment Policy

The table below identifies the **investment types** that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address **interest rate risk**, **credit risk**, and **concentration of credit risk**. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio*</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	10%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	15%	3%
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20%	None
Medium-Term Notes	5 years	30%	5%
U.S. Government Money Market Funds	N/A	20%	10%
Local Agency Investment Fund (LAIF)	N/A	\$40 million**	N/A

* Excluding amounts held by bond trustee that are not subject to California Government Code restrictions.

** Per each account for the City and the City's Redevelopment Agency.

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the **investment types** that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address **interest rate risk**, **credit risk**, and **concentration of credit risk**.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio*</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	30 years	None	None

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Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment is, the greater the sensitivity its fair value will be to changes in market interest rates. In accordance with its investment policy, the City manages its exposure to declines in fair value by limiting the weighted average maturity to 2 ½ years. In addition, the City employs a “buy and hold” investment strategy whereby investments are held to maturity at which time the investment is redeemed at par. This strategy limits the City’s exposure to declines in fair value to unforeseen emergencies when the need for cash beyond that which is planned and anticipated may arise.

Portfolio diversification is also employed as a way to control risk, including those associated with market changes or issuer default. To control market price risks, volatile investments are avoided, and to control risks of illiquidity, a minimum of 10% of the total portfolio is held in highly marketable U.S. Treasury Bills and Notes and/or the State of California Local Agency Investment Fund (LAIF) and/or Money Market Funds and/or securities maturing within 90 days.

<u>Investment Type</u>		<u>Weighted Average Maturity (in years)</u>
U.S. Treasury Obligations	\$ 4,053,750	0.8
U.S. Agency Securities	102,826,246	2.5
Corporate Medium Term Notes	19,457,217	1.5
Certificates of Deposit	2,000,000	0.4
Local Agency Investment Fund (LAIF)	34,698,273	N/A
Held by Bond Trustee:		
Money Market Funds	10,662,669	N/A
Investment Contracts	31,584,061	N/A
Total	<u>\$ 205,282,216</u>	

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

None of the City’s investments (including investments held by bond trustees) are highly sensitive to interest rate fluctuations.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City’s investment policy, or debt agreements, and the actual rating as of year end for each investment type:

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<u>Investment Type</u>		<u>Minimum Legal Rating</u>	<u>Not Required To Be Rated</u>	<u>Rating as of Year End</u>		
				<u>AAA</u>	<u>AA+</u>	<u>Unrated</u>
U.S. Treasury Obligations	\$ 4,053,750	N/A	\$ 4,053,750	\$ -	\$ -	\$ -
U.S. Agency Securities	102,826,246	N/A	-	102,826,246	-	-
Corporate Med Term Notes	19,457,217	A	-	13,409,517	6,047,700	-
Certificates of Deposit	2,000,000	Collateralized	-	-	-	2,000,000
State Investment Pool (LAIF)	34,698,273	N/A	-	-	-	34,698,273
Held by Bond Trustee:						
Money Market Funds	10,662,669	A	-	10,662,669	-	-
Investment Contracts	31,584,061	N/A	31,584,061	-	-	-
Total	<u>\$ 205,282,216</u>		<u>\$ 35,637,811</u>	<u>\$ 126,898,432</u>	<u>\$ 6,047,700</u>	<u>\$ 36,698,273</u>

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer that represent 5% or more of total City's investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>	<u>%</u>
Federal Farm Credit Bank	U.S. Agency Securities	\$ 16,271,270	7.9
Federal Home Loan Bank	U.S. Agency Securities	49,284,786	24.0
Federal Home Loan Mortgage Corp.	U.S. Agency Securities	27,164,550	13.2

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

GASB Statement No. 40 requires that the following disclosure be made with respect to custodial credit risks relating to deposits and investments: none of the City's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. As of June 30, 2008, \$6,661,036 was collateralized in accordance with Section 53652 of the California Government Code by the pledging financial institution in the City's name.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance

CITY OF SANTA BARBARA
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available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

NOTE 3. DEFERRED AND UNEARNED REVENUE

Under both the accrual and modified accrual basis of accounting, revenue may be recognized only when earned. Therefore, the government-wide statement of net assets as well as governmental and proprietary funds defer revenue recognition in connection with resources that have been received as of year-end, but not yet earned. Assets recognized in connection with a transaction before the earnings process is complete are offset by a corresponding liability for unearned revenue. Under the modified accrual basis of accounting, it is not enough that revenue has been earned if it is to be recognized in the current period. Revenue must also be susceptible to accrual (i.e. measurable and available to finance expenditures of the current period). Governmental funds report deferred revenues in connection with receivables for revenues not considered available to liquidate liabilities of the current period.

At June 30, 2008 the various components of unearned revenue reported are as follows:

	Unearned	Deferred (Unavailable)	Total Unearned
Governmental funds:			
General Fund:			
Deferred business license tax	\$ 1,110,242	\$ -	\$ 1,110,242
Nonmajor Governmental Funds:			
Advances on federal grants for low-income housing	-	11,864,534	11,864,534
Total governmental funds	<u>\$ 1,110,242</u>	<u>\$ 11,864,534</u>	<u>\$ 12,974,776</u>
Business-type activities:			
Water fund:			
Advances to local water districts	\$ -	\$ 6,253,233	\$ 6,253,233
Airport fund:			
Prepaid lease revenue	436,005	-	436,005
Golf Fund:			
Golf gift cards	-	16,302	16,302
Waterfront fund:			
Prepaid lease and slipholder revenue	<u>189,485</u>	<u>-</u>	<u>189,485</u>
Total business-type activities	<u>\$ 625,490</u>	<u>\$ 6,269,535</u>	<u>\$ 6,895,025</u>

NOTE 4. SPECIAL ASSESSMENTS

On August 1, 1992, the City issued \$10,794,799 of seismic improvement special assessment bonds. The proceeds of the bonds were used to finance the construction and installation of seismic resistance improvements to certain commercial properties within the boundaries of the City of Santa Barbara Seismic Safety Assessment District No. 1. The bonds are limited obligations payable solely from annual assessments to be levied and collected in semi-annual installments on properties within the Assessment District. The City is not obligated to advance funds, other than the bond proceeds placed in a Reserve Fund, in the event of delinquencies in the payment of assessment installments.

Neither the faith and credit nor the taxing power of the City is pledged to the payment of the bonds or the interest thereon, and no owner of the bonds may compel the exercise of the taxing power by the City or the forfeiture of any of its property.

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The principal of, and any interest on, the bonds are not a legal debt of the City. The City is only acting as an agent for the property owners in collecting the assessments, forwarding the collections to the fiscal agent for payment to bondholders and initiating foreclosure proceedings, if appropriate. At June 30, 2008, the amount of bonds outstanding was \$165,000.

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008 was as follows:

	Beginning Balance July 1, 2007	Increases	Decreases	Ending Balance June 30, 2008	Internal Service Fund Activity	Total Governmental Capital Assets
Governmental Activities:						
Non-depreciating capital assets:						
Construction in progress	\$ 13,929,593	\$ 9,452,300	\$ (2,355,977)	\$ 21,025,916	\$ 174,477	\$ 21,200,393
Land	48,228,969	2,530,549	-	50,759,518	-	50,759,518
Streets	160,101,179	-	-	160,101,179	-	160,101,179
Total non-depreciating capital assets	<u>222,259,741</u>	<u>11,982,849</u>	<u>(2,355,977)</u>	<u>231,886,613</u>	<u>174,477</u>	<u>232,061,090</u>
Depreciating capital assets:						
Buildings	45,325,655	-	-	45,325,655	105,889	45,431,544
Building improvements	6,320,729	375,370	-	6,696,099	162,584	6,858,683
Improvements other than buildings	37,745,775	600,839	-	38,346,614	257,165	38,603,779
Equipment	8,108,087	766,635	(116,958)	8,757,764	18,072,058	26,829,822
Infrastructure	113,548,304	3,637,082	-	117,185,386	-	117,185,386
Total depreciating capital assets	<u>211,048,550</u>	<u>5,379,926</u>	<u>(116,958)</u>	<u>216,311,518</u>	<u>18,597,696</u>	<u>234,909,214</u>
Less accumulated depreciation:						
Buildings	11,248,893	998,836	-	12,247,729	96,623	12,344,352
Building improvements	2,514,698	207,169	-	2,721,867	11,482	2,733,349
Improvements other than buildings	20,094,313	1,608,661	-	21,702,974	26,351	21,729,325
Equipment	5,132,698	473,794	(116,958)	5,489,534	13,322,840	18,812,374
Infrastructure	49,708,602	2,320,693	-	52,029,295	-	52,029,295
Total accumulated depreciation	<u>88,699,204</u>	<u>5,609,153</u>	<u>(116,958)</u>	<u>94,191,399</u>	<u>13,457,296</u>	<u>107,648,695</u>
Total capital assets, being depreciated, net	<u>122,349,346</u>	<u>(229,227)</u>	<u>-</u>	<u>122,120,119</u>	<u>5,140,400</u>	<u>127,260,519</u>
Total governmental capital assets, net	<u>\$ 344,609,087</u>	<u>\$ 11,753,622</u>	<u>\$ (2,355,977)</u>	<u>\$ 354,006,732</u>	<u>\$ 5,314,877</u>	<u>\$ 359,321,609</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Administration	\$ 40,811
Administrative services	23,998
Finance	13,036
Public safety	119,136
Public works	3,706,527
Community services	407,684
Community development	<u>1,297,961</u>
General governmental depreciation	5,609,153
Capital assets held by the city's internal service funds are charged to the various functions based on usage of the assets	<u>1,210,894</u>
Total depreciation expense - governmental activities	<u>\$ 6,820,047</u>

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2008

	Beginning Balance July 1, 2007	Increases	Decreases	Ending Balance June 30, 2008
Business Type Activities:				
Non-depreciating capital assets:				
Land	\$ 19,201,133	\$ -	\$ -	\$ 19,201,133
Construction in progress	48,856,424	26,019,943	(24,256,676)	50,619,691
Total non-depreciating capital assets	<u>68,057,557</u>	<u>26,019,943</u>	<u>(24,256,676)</u>	<u>69,820,824</u>
Depreciating capital assets:				
Buildings	33,747,302	-	-	33,747,302
Building improvements	7,531,074	-	-	7,531,074
Other improvements and drainage	284,188,574	26,409,001	-	310,597,575
Equipment	23,605,318	2,451,653	-	26,056,971
Underground piping	172,920,249	1,386,921	-	174,307,170
Infrastructure	14,885,287	-	-	14,885,287
Total depreciating capital assets	<u>536,877,804</u>	<u>30,247,575</u>	<u>-</u>	<u>567,125,379</u>
Less accumulated depreciation:				
Buildings	22,080,183	716,639	-	22,796,822
Building improvements	2,053,806	207,000	-	2,260,806
Other improvements and drainage	130,103,759	9,357,085	-	139,460,844
Equipment	12,239,412	1,530,149	-	13,769,561
Underground piping	81,491,967	3,976,846	-	85,468,813
Infrastructure	6,011,067	288,969	-	6,300,036
Total accumulated depreciation	<u>253,980,194</u>	<u>16,076,688</u>	<u>-</u>	<u>270,056,882</u>
Net depreciating capital assets	<u>282,897,610</u>	<u>14,170,887</u>	<u>-</u>	<u>297,068,497</u>
Total business-type activities				
Capital assets, net	<u>\$ 350,955,167</u>	<u>\$ 40,190,830</u>	<u>\$ (24,256,676)</u>	<u>\$ 366,889,321</u>
Depreciation expense was charged to functions/programs of the business-type activities as follows:				
Business-type activities:				
Water		\$ 6,126,607		
Wastewater		3,514,001		
Airport		4,294,191		
Waterfront		1,579,956		
Downtown parking		348,238		
Golf		213,695		
Total depreciation expense - business-type activities		<u>\$ 16,076,688</u>		

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2008

NOTE 6. INTER-FUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of inter-fund balances as of June 30, 2008, is as follows:

<u>Due to/from other funds</u>		
<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental Activities:	Governmental Activities:	
General Fund	Other Governmental Funds	\$ 641,480
General Fund	Community Development Block Grant Fund	339,696
	Total Governmental Activities	<u>\$ 981,176</u>
Governmental Activities:	Fiduciary Funds:	
General Fund	California Law Enforcement	
	Telecommunications System Agency Fund	\$ 6,649
General Fund	Safety Retirement Fund	320,432
	Total Fiduciary Activities	<u>\$ 327,081</u>
<u>Advances to/from other funds</u>		
<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental Activity:	Business Type Activity:	
General Fund	Golf Course Fund	\$ 100,000
General Fund	Waterfront	3,002,617
	Total Business Type Activities	<u>\$ 3,102,617</u>

The interfund balances at June 30, 2008, are generally short-term loans to cover temporary cash deficits in various funds.

The City's General Fund has periodically advanced money to the Waterfront Enterprise Fund. These advances, totaling \$3,002,617 at June 30, 2008, were for the purposes of rehabilitation of the Stearns Wharf, development of a waterfront parking program, and construction of administrative offices and remodel of the Chandlery Building. The advances for the Stearns Wharf and parking program bear no interest and are repayable as the Waterfront Fund's results of operations permit. The advance for construction of administrative offices and remodel of the Chandlery Building bears interest at 6%, with payments due annually.

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2008

A summary of interfund transfers during the year follows:

Fund Transferred From	Fund Transferred To						
	Governmental Activities					Internal Service Funds	Total
	General Fund	Redevelopment Agency Capital Project	Other Governmental Funds	Nonmajor Proprietary Funds	Subtotal		
Governmental Funds							
General Fund	\$ -	\$ -	\$ 2,291,679	\$ 36,420	\$ 2,328,099	\$ 229,534	\$ 2,557,633
Redevelopment Agency							
Special Revenue	-	9,750,351	2,740,669	-	12,491,020	13,319	12,504,339
Capital Projects	-	-	2,093	-	2,093	-	2,093
Solid Waste	-	-	13,894	-	13,894	2,141	16,035
CDBG	-	-	-	-	-	1,592	1,592
Other Governmental Funds	499,546	-	952,188	-	1,451,734	20,318	1,472,052
Total Governmental Funds	499,546	9,750,351	6,000,523	36,420	16,286,840	266,904	16,553,744
Internal Service Funds	-	-	-	-	-	29,898	\$ 29,898
Total Governmental Activities	\$ 499,546	\$ 9,750,351	\$ 6,000,523	\$ 36,420	\$ 16,286,840	\$ 296,802	\$ 16,583,642
Business-Type Activities							
Water	\$ -	\$ -	\$ 28,584	\$ -	\$ 28,584	\$ 77,618	\$ 106,202
Wastewater	-	-	12,344	-	12,344	57,120	69,464
Airport	-	-	-	-	-	14,042	14,042
Waterfront	-	-	-	-	-	14,803	14,803
Other Enterprise Funds	-	-	-	-	-	13,939	13,939
Total Business - Type Activities	\$ -	\$ -	\$ 40,928	\$ -	\$ 40,928	\$ 177,522	\$ 218,450
Net Transfers	\$ 499,546	\$ 9,750,351	\$ 6,041,451	\$ 36,420	\$ 16,327,768	\$ 474,324	\$ 16,802,092

The interfund transfers are generally made for the purpose of debt service payments made from a debt service fund but funded from an operating fund or subsidy transfers, and for capital projects expenditures funded by the City's General Fund. There were no significant transfers during the fiscal year that were either non-routine in nature or inconsistent with the activities of the fund making the transfer. The net transfers of \$40,000 from the Fiduciary Funds to the governmental activities represent transfers from the Library Trust Fund to the General Fund and County Library Special Revenue Fund primarily to purchase library books.

NOTE 7. LONG-TERM DEBT

The City has issued debt in both the governmental and business-type activities to provide funds for the acquisition and construction of major capital facilities. The types of debt include (1) Revenue Bonds where the City pledges income derived from a business-type activity to pay debt service, (2) tax allocation bonds where property tax allocations of the Redevelopment Agency are pledged to pay debt service, (3) certificates of participation that pledge general government revenue to pay base rent payments to the Santa Barbara Public Financing Corporation for real property and improvements owned by the City, and (4) loans from other governmental agencies. Long-term liability activity for the year ended June 30, 2008, is as follows:

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	Beginning Balance July 1, 2007	Additions	Deductions	Ending Balance June 30, 2008	Due Within One Year	Due in More Than One Year
<u>Governmental Activities</u>						
Certificates of participation	\$ 3,069,000	\$ -	\$ 231,000	\$ 2,838,000	\$ 240,900	\$ 2,597,100
Tax allocation bonds	74,110,000	-	4,845,000	69,265,000	5,100,000	64,165,000
Loans	750,000	-	-	750,000	-	750,000
Governmental funds debt issues	77,929,000	-	5,076,000	72,853,000	5,340,900	67,512,100
Claims liability	8,647,686	3,188,589	6,166,374	5,669,901	2,337,637	3,332,264
Governmental activity						
Long-term liabilities	86,576,686	3,188,589	11,242,374	78,522,901	7,678,537	70,844,364
<u>Business-Type Activities</u>						
Revenue Bonds	23,545,000	-	1,075,000	22,470,000	1,115,000	21,355,000
Certificates of participation	31,656,000	-	1,099,000	30,557,000	1,134,100	29,422,900
Loans	40,302,987	-	2,034,276	38,268,711	2,109,577	36,159,134
Business-type activity						
Long-term liabilities	95,503,987	-	4,208,276	91,295,711	4,358,677	86,937,034
Total debt activity	\$ 182,080,673	\$ 3,188,589	\$ 15,450,650	\$ 169,818,612	\$ 12,037,214	\$ 157,781,398

A description of long-term obligations outstanding at June 30, 2008, by category follows:

Governmental Activities

Tax Allocation Bonds

Redevelopment Agency:

\$7,150,000 - 2004 Redevelopment Agency Tax Allocation Housing Bonds, Series A. Proceeds to provide funds to finance redevelopment activities in the Central City Redevelopment Project Area. Remaining annual principal installments on serial bonds range from \$455,000 to \$620,000 through July 1, 2018. Interest rates range from 2.00% to 5.00% payable semi-annually on January and July 1st.

Amount
Outstanding
June 30, 2008

\$ 5,810,000

\$34,810,000 - 2003 Redevelopment Agency Tax Allocation Refunding Bonds, Series A. Proceeds to provide funds to finance redevelopment activities in the Central City Redevelopment Project Area. Remaining annual principal installments on serial bonds range from \$1,860,000 to \$2,835,000 through March 1, 2019. Interest rates range from 2.00% to 5.00% payable semi-annually on September and March 1st.

25,150,000

\$38,855,000 - 2001 Redevelopment Agency Tax Allocation Refunding Bonds, Series A. Proceeds to provide funds to finance redevelopment activities in the Central City Redevelopment Project Area. Remaining annual principal installments on serial bonds range from \$2,785,000 to \$4,340,000 beginning March 1, 2009 through March 1, 2019. Interest rates range from 4.00% to 5.00% payable semi-annually on September and March 1st.

38,305,000

Total tax allocation bonds

69,265,000

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Certificates of Participation

General Fund:

\$4,184,400 - 2002 Refunding Municipal Certificates of Participation. Certificates issued to provide funds in order to refund the outstanding City of Santa Barbara Refunding Certificates of Participation Series 1993, which were used to finance capital improvements in the City's Municipal Improvements Program. Remaining annual installments range from \$240,900 to \$339,900 beginning August 1, 2007 through 2017. Interest rates range from 3.0% to 4.625% payable semi-annually.

2,838,000

Loans Payable

Redevelopment Agency:

\$750,000 - California Housing Finance Agency Loan issued November 15, 1999. Due in 10 years with payment deferred until then. Interest rate 3% simple per annum.

750,000

Total Governmental Activities

\$ 72,853,000

Business-Type Activities

Revenue Bonds

Water Fund:

\$9,780,000 - 1994A water revenue refunding serial bonds. Bonds issued to provide funds in order to refund the outstanding City of Santa Barbara Water Revenue and Refunding Bonds of 1979, which were used to finance capital improvements to the water distribution system. Remaining annual installments range from \$535,000 to \$720,000 through September 1, 2014. Interest rates range from 4.3% to 4.8% payable semi-annually on March 1st and September 1st.

\$ 4,370,000

Wastewater Fund:

\$20,410,000 - 2004A sewer revenue serial bonds. Bond proceeds are used to provide funds for the acquisition of certain capital improvements to the Wastewater system. Remaining annual installments range from \$580,000 to \$1,290,000 through May 1, 2029. Interest rates range from 2.4% to 4.7% payable semi-annually.

18,100,000

Total revenue bonds

22,470,000

Certificates of Participation

Waterfront Fund:

19,405,000 - 2002 Waterfront Refunding Certificates of Participation. Certificates issued to provide funds in order to refund the outstanding City of Santa Barbara 1992 Certificates of Participation, which were used to finance capital improvements at the waterfront. Remaining annual installments range from \$535,000 to \$1,230,000 through October 1, 2027. Term certificates of \$16,090,000 are due on October 2027. Interest rates range from 3.75% to 6.75% payable semi-annually.

16,115,000

Golf Fund:

\$2,155,600 - 2002 Refunding Municipal Certificates of Participation. Certificates issued to provide funds in order to refund the outstanding City of Santa Barbara Refunding Certificates of Participation Series 1993, which were used to finance capital improvements at the golf course. Remaining annual installments range from \$124,100 to \$175,100 through August 1, 2017. Interest rates range from 3.0% to 4.625% payable semi-annually.

1,462,000

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2008

Water Fund:

\$15,535,000 - 2002 Refunding Water Certificates of Participation. Certificates issued to provide funds in order to refund the outstanding City of Santa Barbara 1992 Certificates, which were used to finance capital improvements to the water distribution system. Remaining annual installments range from \$445,000 to \$1,030,000 through September 1, 2026. Interest rates range from 3.0% through 4.75% payable semi-annually.

12,980,000

Total certificates of participation

30,557,000

Loans Payable

Water Fund:

\$2,000,000 - State Department of Water Resources Loan. Funds used to finance capital improvements to the water distribution system. Due in 20 annual payments of \$150,894 each on April 30. Interest is 4.0128% per annum. The final payment is due April 30, 2009.

159,980

\$5,000,000 - State Department of Water Resources Loan. Funds used to finance capital improvements to the water distribution system. Due in 20 annual payments of \$342,477 on April 30. Interest is 3.1% per annum. The final payment is due April 30, 2012.

1,149,104

\$17,900,849 - California Department of Health Services Safe Drinking Water State Revolving Fund loan. Funds used to assist in financing construction of a project which will enable the City to meet safe drinking water standards. Due in semiannual payments of \$572,123. Interest is 2.5132% per annum. The final payment is due July 1, 2025.

15,751,217

\$19,997,929 - California Department of Health Services Safe Drinking Water State Revolving Fund loan. Funds used to assist in financing construction of a project which will enable the City to meet safe drinking water standards. Due in semiannual payments commencing January 1, 2007. Interest is 2.7934% per annum. The final payment is due January 1, 2027.

18,852,202

Airport Fund:

\$2,450,339 - State Department of Transportation Loan. Funds used to finance capital improvements at the airport. Due in 17 annual payments of \$218,714. Interest is 3.0% per annum. The final payment is due June 30, 2024.

2,356,208

Total loans payable

38,268,711

Total Business-type Activities

\$ 91,295,711

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. The claims liability item is generally liquidated by the general fund (see note 12).

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2008

The annual requirements to amortize all long-term debt outstanding, as of June 30, 2008, are as follows:

Fiscal Year Ending	Governmental Activities			Business-type Activities			
	Principal Payments						
	Tax Allocation Bonds	Certificates of Participation	Other Loans	Revenue Bonds	Certificates of Participation	Other Loans	Total
2009	\$ 5,100,000	\$ 240,900	\$ -	\$ 1,115,000	\$ 1,134,100	\$ 2,109,576	\$ 9,699,576
2010	5,285,000	247,500	750,000	1,155,000	1,182,500	2,005,426	10,625,426
2011	5,470,000	254,100		1,200,000	1,140,900	2,062,914	10,127,914
2012	5,705,000	264,000	-	1,250,000	1,191,000	1,985,533	10,395,533
2013	5,925,000	273,900	-	1,310,000	1,236,100	1,836,363	10,581,363
2014 - 2018	33,985,000	1,557,600	-	5,065,000	7,117,400	9,993,901	57,718,901
2019 - 2023	7,795,000	-	-	4,480,000	8,135,000	11,503,089	31,913,089
2024 - 2028	-	-	-	5,605,000	9,420,000	6,771,909	21,796,909
2029	-	-	-	1,290,000	-	-	1,290,000
Total Principal	\$ 69,265,000	\$ 2,838,000	\$ 750,000	\$ 22,470,000	\$ 30,557,000	\$ 38,268,711	\$ 164,148,711
Fiscal Year Ending	Interest Payments						Total
2009	\$ 3,052,734	\$ 115,044	\$ -	\$ 972,468	\$ 1,480,193	\$ 1,074,185	\$ 6,694,624
2010	2,869,352	106,068	220,370	930,527	1,435,017	1,011,878	6,573,212
2011	2,679,979	96,345	-	885,078	1,388,587	954,393	6,004,382
2012	2,443,030	85,983	-	836,213	1,341,267	892,650	5,599,143
2013	2,220,460	75,225	-	784,193	1,292,019	838,467	5,210,364
2014 - 2018	6,741,733	183,143	-	3,183,863	5,504,141	3,380,245	18,993,125
2019 - 2023	350,530	-	-	2,292,775	3,543,369	1,871,059	8,057,733
2024 - 2028	-	-	-	1,168,950	1,130,381	326,843	2,626,174
2029	-	-	-	64,500	-	-	64,500
Total Interest	\$ 20,357,818	\$ 661,808	\$ 220,370	\$ 11,118,567	\$ 17,114,974	\$ 10,349,720	\$ 59,823,257
Total Debt	\$ 89,622,818	\$ 3,499,808	\$ 970,370	\$ 33,588,567	\$ 47,671,974	\$ 48,618,431	\$ 223,971,968

GASB 48 Disclosure – Pledging of revenues: Annual principal and interest payments on the RDA tax allocation bonds are expected to require approximately 45% of net tax increment revenues. The total principal and interest remaining to be paid on the Bonds is \$90,593,188 as of June 30, 2008. For the current year, principal and interest paid on the Bonds was \$8,180,709 and property tax increment net revenues were \$18,080,961. The Bonds required 45% of net revenues.

The City has complied with all bond covenants.

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
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NOTE 8. CONTINGENCIES

Litigation and Claims

The City is presently involved in matters of litigation and claims that have arisen in the normal course of conducting City business. City management believes that, based upon consultation with the City Attorney, these cases, in the aggregate, are not expected to result in a material adverse financial impact on the City.

Grants

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies. While no matters of non-compliance were disclosed by the audit of the financial statements or single audit of the Federal grant programs, grantor agencies may subject grant programs to additional compliance tests, which may result in disallowed costs. In the opinion of management, future disallowances of current or prior grant expenditures, if any, would not have a material adverse effect on the financial position of the City.

NOTE 9. SEGMENT INFORMATION

Summary financial information, as of and for the fiscal year ended June 30, 2008 for the City's enterprise funds is presented below:

Condensed Statement of Net Assets:

	<u>Golf Course</u>
Assets:	
Current assets	\$ 1,421,657
Capital assets	2,953,834
Other non-current assets	<u>106,639</u>
Total assets	<u>4,482,130</u>
Liabilities:	
Current liabilities	262,208
Non-current liabilities	<u>1,443,234</u>
Total liabilities	<u>1,705,442</u>
Net assets:	
Invested in capital assets, net of related debt	1,491,834
Unrestricted	<u>1,284,854</u>
Total net assets	<u><u>\$ 2,776,688</u></u>

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Condensed Statement of Revenues, Expenses, and Changes in Net Assets:

	Golf Course
Charges for services pledged	
-against bonds	\$ 2,245,388
-not pledged against bonds	-
Depreciation expense	(213,695)
Other operating expenses	(1,867,728)
Operating income (loss)	<u>163,965</u>
Non-operating revenues (expenses):	
Investment earnings	74,162
Interest expense	(65,887)
Other	(4,416)
Change in net assets	<u>167,824</u>
Beginning net assets	<u>2,608,864</u>
Ending net assets	<u><u>\$ 2,776,688</u></u>

Condensed Statement of Cash Flows:

	Golf Course
Net cash provided (used) by:	
Operating activities	\$ 392,616
Noncapital financing activities	(4,416)
Capital and related financing activities	(262,738)
Investing activities	174,162
Net increase (decrease)	<u>299,624</u>
Beginning cash and equivalents	<u>1,122,033</u>
Ending cash and equivalents	<u><u>\$ 1,421,657</u></u>

NOTE 10. RETIREMENT COMMITMENTS

Employee Retirement Systems and Pension Plans

Plan Description

The City of Santa Barbara contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. Copies of PERS' annual financial reports may be obtained from their Executive Office – 400 P Street, Sacramento, CA 95814.

CITY OF SANTA BARBARA
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Funding Method

The actuarial funding method used for the Retirement Program is the Entry Age Normal Cost Method. Under this method, projected benefits are determined for all members and the associated liabilities are spread in a manner that produces a level annual cost as a percent of pay in each year from the age of hire (entry age) to the assumed retirement age. The cost allocated to the current fiscal year is called the normal cost.

The actuarial accrued liability for active members is then calculated as the portion of the total cost of the plan allocated to prior years. The actuarial accrued liability for members currently receiving benefits, for active members beyond the assumed retirement age, and for members entitled to deferred benefits, is equal to the present value of the benefits expected to be paid. No normal costs are applicable for these participants.

The excess of the total actuarial accrued liability over the actuarial value of plan assets is called the unfunded actuarial accrued liability. Funding requirements are determined by adding the normal cost and an amortization of the unfunded liability as a level percentage of assumed future payrolls. All changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methodology are amortized separately over a 20-year period. In addition, all gains or losses are tracked and 10% of the net unamortized gain or loss will be amortized each year. Finally, if a plan's accrued liability exceeds the actuarial value of assets, the annual contribution with respect to the total unfunded liability may not be less than the amount produced by a 30-year amortization of the unfunded liability.

Funding Policy

PERS is a contributory plan deriving funds from employee contributions as well as from employer contributions and earnings from investments. Under GASB 27, the City reports its annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the actual plan contributions for the year. The cumulative difference is the net pension obligation (NPO). The ARC for the period July 1, 2007 to June 30, 2008 has been determined by an actuarial valuation of the plan as of June 30, 2005. Employer rates for each of the City's three (3) retirement plans is as follows: the miscellaneous, non-safety, members' rate is 18.589%, the safety police plan rate is 26.791%, and the safety fire plan rate is 29.317% of payroll. Miscellaneous, non-safety, members contribute 8% and safety members contribute 9% of their annual covered salary. The City makes a portion of the contributions required of City employees on their behalf and for their account. The City paid 1.3% of the miscellaneous, non-safety employees' required contribution in the fiscal year ended June 30, 2008. The contribution requirements of the City and plan members are established and may be amended by PERS.

A CalPERS member, safety and non-safety, becomes eligible for Service Retirement upon attainment of age 50 with at least 5 years of credited service (total service across all CalPERS employers, and with certain other Retirement Systems with which CalPERS has reciprocity agreements).

Annual Pension Cost

For fiscal year ended June 30, 2008, the City's annual pension costs for all of the retirement plans, in the amount of \$21,513,692 for PERS, was equal to the City's and employees' required and actual contributions. The required contribution for fiscal year 2008 was determined as part of the June 30, 2005 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions include:

CITY OF SANTA BARBARA
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(a) Valuation date	June 30, 2005
(b) Amortization method	level percent of payroll
(c) Average remaining period	24 years (non-safety), 32 years (safety) as of the valuation date
(d) Asset valuation method	15 years smoothed market
(e) Actuarial assumptions:	
-investment rate of return	7.75% (net of administrative expenses)
-projected salary increases	3.25% to 13.15% depending on age, service and type of employment – safety
	3.25% to 14.45% depending on age, service, and type of employment – non-safety
-inflation	3.00%
-payroll growth	3.25%
-individual salary growth	a merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.00% and an annual production growth of 0.25%.

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percent of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of about 6% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period. Three-year trend information for the City's Annual Pension Cost for all plans follows:

Three-year Trend Information (all Plans):

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual</u> <u>Pension Cost (APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
06/30/06	\$ 20,364,574	100%	\$0
06/30/07	20,681,841	100%	\$0
06/30/08	21,513,692	100%	\$0

Funded Status of the Plans

The tables below display a short history of the Entry Age Normal Accrued Liability, the Actuarial Value of Assets, the Unfunded Liability (or Excess Assets), Funded Status (i.e., the ratio of the Actuarial Value of Assets to Entry Age Normal Accrued Liability), the estimated annual covered payroll and the Unfunded Actuarial Accrued Liability (UUAL) as a percentage of that covered payroll. The following data is based upon the most recent actuarial valuation dated June 30, 2005 as provided by CalPERS.

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Rates Applicable to Fiscal Year	Valuation Date	Accrued Liability	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Status	Annual Covered Payroll	Unfunded (Over-funded) Liability as a % of Payroll
<u>Miscellaneous Plan:</u>							
2004	06/30/01	\$ 155,405,646	\$ 180,581,042	\$ (25,175,396)	116.2%	\$ 38,839,327	(64.8%)
2005	06/30/02	172,996,353	169,784,872	3,211,481	98.1%	43,147,673	7.4%
2006	06/30/03	200,205,019	172,606,727	27,598,292	86.2%	44,387,254	62.2%
2007	06/30/04	236,356,262	183,267,479	53,088,783	77.5%	45,499,938	116.7%
2008	06/30/05	255,720,658	198,200,895	57,519,763	77.5%	46,712,874	123.1%
<u>Safety Fire Plan:</u>							
2004	06/30/01	79,281,892	76,974,607	2,307,285	97.1%	7,655,484	30.1%
2005	06/30/02	85,100,613	71,982,755	13,117,858	84.6%	7,387,092	177.6%
2006	06/30/03	89,536,901	72,602,869	16,934,032	81.1%	7,531,518	224.8%
2007	06/30/04	94,816,120	76,722,184	18,093,936	80.9%	7,758,265	233.2%
2008	06/30/05	101,575,435	82,519,834	19,055,601	81.2%	8,195,490	232.5%
<u>Safety Police Plan:</u>							
2004	06/30/01	97,930,578	92,469,858	5,460,720	94.4%	11,194,160	48.8%
2005	06/30/02	104,007,310	86,387,932	17,619,378	83.1%	11,193,527	157.4%
2006	06/30/03	109,523,544	88,493,786	21,029,758	80.8%	11,815,759	178.0%
2007	06/30/04	116,822,430	94,867,540	21,954,890	81.2%	12,369,163	177.5%
2008	06/30/05	125,487,092	102,700,503	22,786,589	81.8%	13,246,248	172.0%

City Fire and Police Pension Plans

Plan Description

In addition to the California PERS, the City provides two additional single-employer, defined benefit pension plans. One, the Safety Retirement Plan, was established to account for the accumulation of resources to be used for retirement benefits for those police and fire employees hired between May 1937 and May 1965. The second plan, the Service Retirement Plan, was established to account for the accumulation of resources to be used for retirement benefits for those police and fire employees hired between May 1937 and May 1965, and who were disabled due to job related injuries. A total of eighteen (18) former public safety (police and fire) employees receive a monthly pension retirement benefit in the form of a cash stipend directly from the City. Both plans have been closed to all other employees as of May 1965 and contributions from the employer and employees also ceased on that date. The City administers the plans in compliance with and under the authority of Article XVA of the City Charter. The costs of administering the plans are financed with investment earnings. As of June 30, 2008, ten (10) retirees (or beneficiaries) are receiving benefits from the Safety Retirement Pension Trust Fund, and eight (8) retirees (or beneficiaries) are receiving benefits from the Service Retirement Pension Trust Fund.

Funding Policy

All of the pensioners are retirees. The annual required contribution (ARC) for the City was \$131,011 for fiscal year 2008. The City paid the entire ARC and has no net pension obligation (NPO) for the year ended June 30, 2008.

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Information regarding these plans is as follows:

	Safety Retirement Plan	Service Retirement Plan
Authority	Charter	Charter
Date of valuation	June 30, 2005	June 30, 2005
Asset valuation	Fair value as measured by the market price of investments. This plan has an equity share in the City's investment pool	Fair value as measured by the market price of investments. This plan has an equity share in the City's investment pool
Actuarial cost method*	Aggregate	Aggregate
Number of participants	10	8
Actuarial assumptions:		
Interest Rate	7%	7%
Cost of Living Increases	4%	4%
Mortality	GAM 1994 Mortality Table for males and females	

*The aggregate actuarial cost method does not identify or separately amortize un-funded actuarial liabilities.

Financial statements for the funds are available from the City of Santa Barbara Finance Director. All members of the plan are retired. The plans were closed as of 1965.

Deferred Compensation Plan

The City offers two deferred compensation plans for regular employees and one for hourly employees created in accordance with Internal Revenue Code Section 457. Under the terms of these plans, employees may defer amounts of income up to a maximum of \$15,500 per year or one-hundred percent (100%) of includable compensation, whichever is less. Amounts so deferred may be withdrawn or directed for future payment at separation of employment but may not be paid to the employee during employment with the City except for a catastrophic circumstance creating an undue and unforeseen financial hardship for the employee.

Effective January 1, 1999, Federal legislation (Small Business Job Protection Act of 1996) requires the Section 457 plan assets to be placed in trust for the exclusive use of the plan participants and their beneficiaries. The City's deferred compensation administrator qualifies as the plan trustee to meet Federal requirements. Since the plan assets are no longer considered the property and rights of the City, such assets are no longer reflected in the accompanying basic financial statements.

NOTE 11. CLASSIFICATION OF NET ASSETS

In the Government-wide financial statements, net assets are classified as the following:

- *Invested in Capital Assets, Net of Related Debt* – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.
- *Restricted Net Assets* – this category presents all external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Additionally, this category presents restrictions placed on the categories of Capital Projects, Specific Projects and Programs, and Debt Service as established by the City Council.
- *Unrestricted Net Assets* – This category represents the net assets of the City, which are not restricted for any project or other purpose.

CITY OF SANTA BARBARA
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In the Fund financial statements, reserves and designations segregate portions of the fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the City Council and Management and can be increased, reduced or eliminated by similar actions. The components of the City's fund balances at June 30, 2008, consist of the following:

	Special Revenue Funds				Capital Projects Fund	Other Governmental Funds
	General Fund	Redevelopment Agency	Solid Waste	Community Dev block Grant	Redevelopment Agency	
Reserved:						
Encumbrances	\$ 2,841,132	\$ 2,862,071	\$ 87,755	\$ -	\$ 34,989,005	\$ 12,865,024
Non-current receivables	4,218,837	42,021,751	-	-	2,310,341	-
Due from other agencies	-	-	-	-	-	61,451
Redevelopment projects	-	10,425,463	-	-	3,315,903	-
Debt service	-	-	-	-	-	561,279
Public safety	-	-	-	-	-	207,865
Community development	-	-	-	2,347	-	198,560
Community services	-	-	-	-	-	969,654
Future projects	-	-	-	-	-	5,285,158
Street improvements	-	-	-	-	-	2,796,067
Total reserved	7,059,969	55,309,285	87,755	2,347	40,615,249	22,945,058
Designated:						
Capital	1,000,000	-	-	-	-	-
Economic Contingency/Emergencies	16,013,476	-	-	-	-	-
Future Years' Budget	951,666	-	-	-	-	-
Total designated	17,965,142	-	-	-	-	-
Unreserved - undesignated	-	-	2,582,215	-	-	-
Total fund balances	\$ 25,025,111	\$ 55,309,285	\$ 2,669,970	\$ 2,347	\$ 40,615,249	\$ 22,945,058

NOTE 12. SELF-INSURANCE FUND

The City is partially self-insured for workers' compensation and general and automobile liability claims, and fully self-insured for unemployment claims. The City has been partially self-insured for workers' compensation since 1974, and partially self-insured for general and automobile liability since 1978. There have been no significant changes in insurance coverage as compared to last year and settlements have not exceeded coverage in any of the past fiscal years.

The City's self-insured retention for workers' compensation is \$750,000. An indemnity policy provides limits of \$250 million in excess of the City's self-insured retention and a \$5 million pooled layer. Employers' Liability is also included with the limits of \$5 million. The City's self-insured retention for general and automobile liability is \$1,000,000. Excess liability coverage is purchased from the commercial market. Coverage provides limits of \$40 million in excess of the City's self-insured retention and a \$4 million pooled layer.

Insurable property is covered for all risks by policies with a pooled aggregate limit of \$1,000,000,000. Earthquake and flood coverage have designated limits of \$50 million per peril. Unique risks such as airport liability, marine hull protection and indemnity, and boiler and machinery are fully insured. The City also maintains a faithful performance bond. There were no claims made against any of these policies during the past fiscal year.

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The City joined the Authority of California Cities Excess Liability (ACCEL) in May 1986. ACCEL is a public entity risk pool created for the purpose of pooling various public sector risks. ACCEL began its twentieth program year July 2007 with membership totaling twelve (12) cities. ACCEL was formed under the Joint Powers Agreement (JPA) provisions of State Law (Government Code Sections 990, 990.4, 990.8 and 6500-6515). In addition to the joint powers agreement, ACCEL is governed by bylaws and an investment policy adopted by the ACCEL members.

ACCEL settlements have not exceeded coverage in any of the past fiscal years. ACCEL now transfers most of its risk sharing exposures through the purchase of a four layer commercial policy underwritten by various carriers. ACCEL members have a \$1 million self-insured retention. ACCEL pools the next \$4 million and commercial carriers provide \$40 million above that level.

A Memorandum of Coverage acts as the instrument by which member cities are protected against covered losses above their self-insured retention (SIR). This document also serves as the manuscript form for which the commercial carriers provide coverage. Coverage includes comprehensive general and automobile liability protecting against bodily injury, property damage, public officials errors and omissions, personal injury, employment practices, as well as damages arising from owned, non-owned, and hired automobiles.

A Board of Directors consisting of one representative from each member city governs ACCEL. This Board controls all aspects of ACCEL policy including budgeting and finance. ACCEL conducts annual financial, claims, and payroll audits, with an actuarial review performed every two years. A retrospective rating is performed each year on the program year ended five years earlier. The retrospective rating determines each member's share of losses and deposit return.

ACCEL members share pool losses above their self-insured retention. Losses are paid from a pool of funds comprised of member deposits. Deposits are actuarially determined to ensure that funds are available to pay pool losses. ACCEL collects a deposit from each member for each program year in which the member participates. Separate deposit accounts are set for each member for each year of participation. Deposits are invested into pre-approved vehicles and each member account is credited monthly with investment income at the rate earned by the investment vehicle. ACCEL adopted its investment policy in accordance with existing government code criteria.

The City's self-insurance fund is financed through contributions made by the City's General and Enterprise Funds. A cost allocation plan is used to apportion self-insurance fund costs. An actuarial study is performed every two-years. Actuarially determined liabilities in the fund include provisions for "incurred but not reported" claims. As of June 30, 2008, the estimated outstanding liabilities are \$4,593,289 for workers' compensation and \$1,076,612 for general and automobile liability. These liabilities are based on an actuarial valuation as of June 30, 2006. There are no unpaid claims for which annuity contracts have been purchased.

The City is self-insured for unemployment claims. At June 30, 2008, the liability for unemployment claims was \$37,689.

A summary of changes in claims liabilities is shown below:

	<u>2008</u>	<u>2007</u>
Claims liabilities, July 1	\$ 8,647,686	\$ 9,410,301
Incurred claims	3,188,589	2,007,546
Actuarial adjustment	(2,977,785)	(762,615)
Payments on claims attributable to events of current and prior years	<u>(3,188,589)</u>	<u>(2,007,546)</u>
Claims liabilities, June 30	<u><u>\$ 5,669,901</u></u>	<u><u>\$ 8,647,686</u></u>

CITY OF SANTA BARBARA
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NOTE 13. JOINT VENTURES

In 1991, the City's electorate approved participation in the State Water Project (SWP). As a result, the City joined in the formation of the Central Coast Water Authority (CCWA) in September 1991. The purpose of the Central Coast Water Authority is to provide for the financing, construction, operation and maintenance of certain local (non-state owned) facilities required to deliver water from the SWP to certain water purveyors and users in Santa Barbara County.

Each Santa Barbara Project participant, including the City of Santa Barbara, has entered into a Water Supply Agreement in order to provide for the development, financing, construction, operation and maintenance of the CCWA Project. The purpose of the Water Supply Agreement is to assist in carrying out the purposes of CCWA with respect to the CCWA Project by: (1) requiring CCWA to sell, and the Santa Barbara Project participants to buy, a specified amount of water from CCWA ("take or pay"); and (2) assigning the Santa Barbara Project participant's entitlement rights in the State Water Project to CCWA. Although the City does have an ongoing financial responsibility pursuant to the Water Supply Agreement between the City and CCWA, the City does not have an equity interest as defined by GASB Cod. Sec. J50.105.

Each Santa Barbara Project participant is required to pay to CCWA an amount equal to its share of the total cost of "fixed project costs" and certain other costs in the proportion established in the Water Supply Agreement. This includes the Santa Barbara Project participant's share of payments to the State Department of Water Resources (DWR) under the State Water Supply Contract (including capital, operation, maintenance, power and replacement costs of the DWR facilities), debt service on CCWA bonds and all CCWA operating and administrative costs.

Each Santa Barbara Project participant is required to make payments under its Water Supply Agreement solely from the revenues of its water system. Each participant has agreed in its Water Supply Agreement to fix, prescribe and collect rates and charges for its water system which will be at least sufficient to yield each fiscal year net revenues equal to 125% of the sum of (1) the payments required pursuant to the Water Supply Agreement, and (2) debt service on any existing participant obligation for which revenues are also pledged.

CCWA is composed of eight members, all of which are public agencies. CCWA was organized and exists under a joint exercise of power agreement among the various participating public agencies. The Board of Directors is made up of one representative from each participating entity. Votes on the Board are apportioned between the entities based upon each entity's pro-rata share of the water provided by the project. The City's share of the project, based upon number of acre-feet of water, is 7.7%. Operating and capital expenses are allocated among the members based upon various formulas recognizing the benefits of the various project components to each member.

On October 1, 1992, CCWA sold \$177,200,000 in revenue bonds at a true interest cost of 6.64% to enable CCWA to finance a portion of the costs of constructing a water treatment plant to treat State water for use by various participating water purveyors and users within Santa Barbara and San Luis Obispo Counties, a transmission system to deliver such water to the participating water purveyors and users within Santa Barbara County, and certain local improvements to the water systems of some of the participating purveyors.

On November 1, 1996, CCWA sold \$198,015,000 of revenue bonds at a true interest cost of 5.55% to defease CCWA's \$177,120,000 1992 revenue bonds and to pay certain costs of issuing the bonds. The 1996 bonds were issued in two series: Series A of \$173,015,000 and Series B of \$25,000,000. The Series B bonds are subject to mandatory redemption from amounts transferred from the Construction Fund and the Reserve Fund upon completion of the construction of CCWA facilities.

On September 28, 2006, CCWA sold \$123,190,000 of revenue bonds at an average interest rate of 4.24% to refund \$142,985,000 of outstanding 1996 Revenue Bonds with an average interest rate of 5.47%.

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Pursuant to the Water Supply Agreement, the City of Santa Barbara's payments to CCWA includes its share of DWR's fixed and variable costs, the debt service requirements on the CCWA Bonds, CCWA's fixed operating and maintenance costs, and variable costs, as shown in the table below:

Fiscal Year	DWR Costs		CCWA Costs				Total CCWA Cost	Total CCWA and DWR Costs
	Fixed	Variable (1)	Fixed	Variable (1)	Debt Service (2)			
2008-09	\$ 2,129,879	\$ 228,073	\$ 221,978	\$ 85,115	\$ 1,629,522	\$ 1,936,615	\$ 4,294,567	
2009-10	2,549,799	116,384	247,170	21	1,758,764	2,005,954	\$ 4,672,137	
2010-11	2,839,403	66,047	261,883	(19)	1,758,741	2,020,605	4,926,056	
2011-12	2,431,590	83,159	274,806	(20)	1,761,677	2,036,463	4,551,212	
2012-13	2,443,597	-	283,051	-	1,739,285	2,022,336	4,465,933	
Thereafter	51,292,487	-	9,461,380	-	15,528,598	24,989,978	76,282,464	
Total	\$ 63,686,754	\$ 493,664	\$ 10,750,268	\$ 85,097	\$ 24,176,587	\$ 35,011,951	\$ 99,192,369	

(1) Variable costs only shown through fiscal year 2011-12 because delivery information is not available thereafter.

Additional information and complete financial statements for the CCWA are available for public inspection in the Finance Department at City Hall, 735 Anacapa Street, between the hours of 7:30 am and 5:30 p.m., Monday through Thursday.

NOTE 14. PROPOSITION 218 IMPACTS

Proposition 218, which was approved by the state's voters in November 1996, will regulate the City's ability to impose, increase and extend taxes, assessments and fees. Any new, increased, or extended taxes, assessments, and fees subject to the provisions of Proposition 218, require voter approval before they can be implemented. Additionally, Proposition 218 provides that these taxes, assessments, and fees are subject to the voter initiative process and may be rescinded in the future by the voters. Therefore, the City's ability to finance the services for which the taxes, assessments, and fees were imposed may be significantly impaired.

The taxes, fees, and assessments that are subject to the provisions of Proposition 218 that the City currently imposes for its own benefit or as an agent for a special district, or receives from other governmental agencies potentially include business license fees. At this time, it is uncertain how Proposition 218 will affect the City's ability to establish new, or increase existing, revenues it receives from taxes, assessments and fees. All other taxes, fees and assessments were approved by vote prior to the effective date of Proposition 218.

NOTE 15. CONDUIT DEBT

On January 1, 1996, the City of Santa Barbara issued \$16,805,000 in Insured Revenue Certificates of Participation for the benefit of FACT Retirement Services, a nonprofit public benefit corporation organized and existing under the laws of the State of California to provide care to persons over 62 years of age. The Certificates were issued to enable FACT Retirement System to purchase certain real property and improvements located within the City of Santa Barbara.

The Certificates do not constitute a debt or liability of the City of Santa Barbara. Neither the execution and delivery of the Certificates, nor the execution of the related trust agreement or installment agreement, shall directly, indirectly or morally obligate the City to levy or to pledge any form of taxation whatever, or to make any appropriation for their payment.

As of June 30, 2008, the outstanding balance on the Certificates is \$12,165,000.

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2008

NOTE 16. EMPLOYEE MORTGAGE LOAN ASSISTANCE PROGRAM

On October 2, 2001 the City Council created an Employee Mortgage Loan Assistance Program ("EMLAP"). The purpose of the program is to help the City attract and retain highly qualified employees by providing assistance in dealing with the high cost of home ownership in the Santa Barbara area. The goals of the program include establishing a more stable workforce and, by promoting local homeownership, reducing commuting distances and times. The program is open to all permanent employees who are "first-time homebuyers" (defined as not having owned a home on the South Coast of Santa Barbara County within the last three years). Homes purchased under the City's EMLAP must be located on the South Coast of Santa Barbara County. The City's EMLAP is structured using a combination of an employee down payment, traditional bank mortgage financing, and City-provided financing as follows:

Employee down payment (minimum)	5%
Bank-provided 1st Deed of Trust loan	80%
City-funded 2nd Deed of Trust loan (maximum)	<u>15%</u>
Total financing	<u>100%</u>

Under the terms of the EMLAP, City participation is limited to a purchase price of \$1,250,000. Therefore, the maximum second deed of trust loan available to an employee is \$187,500 (15% of \$1,250,000). Interest on the City loan is variable, adjusted annually, and is set equal to the most recent quarterly interest rate paid the City on its State of California Local Agency Investment Fund ("LAIF rate") balances. The loan is repayable over 15 years, with interest only due for the first five years, converting to a thirty year amortization schedule payable over 10 years with a balloon payment due at the end of 15 years. Payment is made by payroll deduction. To assist the employee, the City will also pay up to four (4) points to the bank on the employee's first deed of trust loan up to \$40,000 in order to "buy down" the interest rate on the first trust deed. The points paid by the City are to be repaid when the second trust deed is refinanced or if the home is sold. However, if the employee maintains continuous employment with the City for 5 years from the date of the loan, 25% of the value of the points loan obligation will be forgiven, and after 10 years 50% will be forgiven. Upon termination of employment the second deed of trust loan, and any related points, are payable either on the fifth anniversary of the loan, or 180 days from the last day of employment, whichever is longer.

As of June 30, 2008, the City has \$3,692,282 in employee loans outstanding.

NOTE 17. DEFICIT FUND EQUITY

The Safety Retirement Pension Trust Fund has a deficit fund balance of (\$325,564) as of June 30, 2008. The deficit will be eliminated through contributions from the City's General Fund. The FEMA Reimbursement Storm Fund has a deficit fund balance of (\$54,401) as of June 30, 2008. Staff is working with FEMA and California State Office of Emergency Services to close out the disaster project. Once all of the accounting and reimbursable project costs are finalized the City will receive a final reimbursement and the remaining project costs are expected to be reimbursed.

NOTE 18. OTHER POST-EMPLOYMENT BENEFITS

Retiree Medical Care Benefits

Plan Description. The City provides a retiree medical insurance contribution benefit, in accordance with employee Memorandum of Understanding, to retired employees. The benefit is applicable to employees who retire from City service and,

1. Have 15 or more years of classified or unclassified service; or
2. Retire from City with an industrial disability.

CITY OF SANTA BARBARA
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The City contributes an amount each month towards the purchase of medical insurance for the retiree and his/her spouse or domestic partner registered with the City Clerk or the Secretary of State, if applicable. The monthly amount is determined by the applicable Memorandum of Agreement of the retired employee. The payment is based upon the employees' years of service up to a maximum of 35 years, multiplied by the annual amount for the respective employee unit. The City will continue to make its contribution until the retiree reaches age 65 or dies, whichever occurs first, provided however, that if the retiree dies before reaching the age of 65 and there is a surviving spouse or registered domestic partner, the City's contribution shall cease when the retiree would have reached age 65. Thereafter, the spouse may remain on the insurance plan, at his/her own cost, subject to the conditions set forth by the insurance company.

For the Police bargaining unit only: The City will continue the normal retiree medical allowance past the age of 65 for the six (6) specified employees named in the Police Memorandum of Understanding who retire after December 23, 2006 and thereafter certify, on an annual basis, that they are not eligible to apply for Medicare Part A (hospitalization) coverage on the basis of their City service, other covered employment, through a spouse's covered employment, or through any other means.

Funding Policy. The City currently administers its retiree medical plan. There is no requirement to contribute any amount beyond the pay-as-you-go contributions. If retirees elect medical insurance coverage through the City, the retiree pays the entire cost of the premiums, less the City's monthly payment to the retiree.

The City is evaluating various options for funding the post retirement health benefits liability. The City has not set up a trust for purposes of funding the required retiree medical payments but has elected to continue funding the benefit on a pay-as-you-go basis in the current year. The City plans to fund the Annual Required Contribution each year based upon projections from the April 21, 2008 actuarial valuation study performed by Aon Consultants. This study was conducted in accordance with GASB Statement 45, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (GASB 45).

Annual OPEB Cost and Net OPEB Obligation. The City's annual Other Post Employment Benefit (OPEB) cost (expense) is calculated based upon the Annual Required Contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB costs for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation.

Annual required contribution	\$ 1,842,000
Interest on net OPEB obligation	-
Adjustments to annual required contribution	-
	<hr/>
Annual OPEB cost (expense)	1,842,000
Contributions made	(831,000)
	<hr/>
Increase (decrease) in net OPEB obligation	1,011,000
	<hr/>
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	<u><u>\$ 1,011,000</u></u>

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2008

The City Retiree Medical annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2008 was as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Annual OPEB Cost Contributed</u>	<u>Percentage Contribution</u>	<u>OPEB Obligation</u>
6/30/2008	\$ 1,842,000	\$ 831,000	45%	\$ 1,011,000

Funded Status and Funding Progress. The funding status of the City's OPEB plan is as follows:

Schedule of Funding Progress (000s Omitted)

<u>Type of Valuation</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>	<u>Interest Rate</u>	<u>Salary Scale</u>
Actual	7/1/2007	\$ -	\$ 19,627	\$ 19,627	0%	\$ 69,293	28.30%	5.00%	3.25%

Schedule of Employer Contributions (000s Omitted)

<u>Fiscal Year Ending</u>	<u>Annual OPEB Costs</u>	<u>Annual Contribution</u>	<u>Percentage Contribution</u>	<u>Net OPEB Obligation</u>
6/30/2008	\$ 1,842	\$ 831	45.10%	\$ 1,011

Actuarial valuations of an ongoing plan involve estimates of the value of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time, relative to the actuarial accrued liabilities and benefits. Since this is the first year of including this information in the financial report, the data presented is limited.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the efforts of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial Cost Method - In the June 30, 2008 actuarial valuation, the actuarial cost shown in the report were developed using two different funding methods:

Under the Aggregate cost method, the ARC equals an amortization of the unfunded present value of future benefits, based on the following:

- Period equal to the average future working lifetime of active participants
- Level percentage of future payroll amounts

The Entry Age Normal (EAN) - Level Percentage of Pay cost method spreads plan costs for each participant from entry date (assuming the plan existed on the employee's hire date) to the expected retirement date. Under this method, the plan's

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
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normal cost is developed as a level percentage of payroll spread over the participants' working lifetime. The Actuarial Accrued liability (AAL) is the present value of all projected benefits less the present value of all future normal costs. For retirees, the AAL is simply the present value of all projected benefits.

The ARC under this method equals the normal cost plus the amortization of the unfunded AAL based on the following:

- Specific amortization period (10, 20, or 30 years are shown)
- Level percentage of future payroll amounts

The plan costs are derived by making certain specific assumptions as to the rates of interest, mortality, turnover, and the like, which are assumed to hold many years into the future. Actual experience may differ somewhat from the assumptions and the effect of such differences is spread over all periods. Due to these differences, the costs determined by the valuation must be regarded as estimates of the true Plan costs.

Discount Rate - 5.00% - This is based upon the assumption that benefits will be paid from general City assets, or paid from a separate trust where assets are invested relatively conservatively.

Payroll Increases - 3.25% - This is the annual rate at which total payroll (\$69 million) is expected to increase and is used in the cost method to calculate the ARC as a level percent of payroll.

Mortality, Disability, Retirement Age, & Turnover - Mortality, disability, retirement age, and turnover rates developed in the CalPERS 1997-2002 Experience Study were used in the valuation.

CITY OF SANTA BARBARA
Required Supplementary Information
June 30, 2008

BUDGETARY INFORMATION

A two-year financial plan is prepared from which annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and certain special revenue funds. Effective fiscal control for debt service is achieved through bond indenture provisions. While budgets are prepared for the City's capital projects, capital projects generally span more than one year and are effectively controlled at the project level.

In early January of each year, departments submit their proposed budgets to the City Administrator. These proposals are reviewed and considered, and adjusted as necessary based on funding limitations and priorities. In early April, the City Administrator presents a recommended budget to the City Council. From April through late June, public hearings are held and the recommended budget is reviewed in detail with the Council Finance Committee. The budget is adopted by June 30.

The appropriated budget is prepared by fund, department and program. Budgets are monitored at varying levels of classification detail; however, expenditures cannot legally exceed appropriations at the department level for the General Fund and at the fund level for all other legally budgeted funds. Department heads may make transfers of appropriations between line items within a program and across programs lines as long as they are within the same major object category (i.e., Salaries & Benefits, Supplies & Services, Capital, etc.). All other adjustments to appropriations that change the total of a department (within the General Fund) or fund must be approved by Council. Budgeted amounts, as shown, reflect the originally adopted budget and the final budget that includes re-appropriated prior year encumbrances as well as any approved revisions as detailed below. Except for the General Fund, individual amendments were not material in relation to the original appropriations. The original and amended operating budget for the General Fund is shown in the table below.

Originally Adopted Budget	\$ 104,976,295
Re-appropriated Prior Year Encumbrances	3,109,256
Amendments	<u>2,651,708</u>
Amended Budget	<u><u>\$ 110,737,259</u></u>

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year. Budget appropriations for governmental funds lapse at year-end unless they are encumbered. Budget appropriations for capital projects and other multi-year projects do not lapse at fiscal year-end and are carried forward through completion of the project.

CITY OF SANTA BARBARA
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June 30, 2008

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GENERAL FUND
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Taxes	\$ 66,399,400	\$66,399,400	\$ 65,788,913	\$ (610,487)
Franchise fees	2,968,600	2,968,600	2,829,559	(139,041)
Intergovernmental	1,117,631	2,717,245	2,678,225	(39,020)
Fines and forfeitures	3,357,932	3,357,932	2,709,282	(648,650)
Use of money and property	1,978,395	1,978,395	2,600,533	622,138
Charges for services	18,842,319	18,881,619	18,749,956	(131,663)
Other revenues	9,619,171	9,622,071	7,504,313	(2,117,758)
Total revenues	104,283,448	105,925,262	102,860,781	(3,064,481)
Expenditures:				
Current:				
Mayor and council	861,972	\$862,001	\$800,738	61,263
City attorney	2,175,121	2,203,476	2,109,104	94,372
City administration	2,185,157	2,241,360	2,163,842	77,518
Administrative services	2,365,566	2,480,806	2,272,640	208,166
Finance	5,017,295	4,822,039	4,660,727	161,312
Fire	18,886,215	20,961,632	20,820,299	141,333
Police	32,206,702	32,923,965	32,859,337	64,628
Public works	6,643,826	6,925,793	6,498,273	427,520
Parks and recreation	14,663,066	15,225,358	14,685,244	540,114
Library	4,561,679	4,649,994	4,325,912	324,082
Community development	11,003,853	12,951,504	10,905,192	2,046,312
Community promotions	1,895,168	1,884,114	1,884,114	-
Total expenditures	102,465,620	108,132,042	103,985,422	4,146,620
Excess (deficiency) of revenues over (under) expenditures	1,817,828	(2,206,780)	(1,124,641)	1,082,139
Other financing sources (uses):				
Transfers in	901,927	901,927	499,546	(402,381)
Transfers out	(2,510,675)	(2,605,217)	(2,557,633)	47,584
Total other financing sources (uses)	(1,608,748)	(1,703,290)	(2,058,087)	(354,797)
Net change in fund balances	209,080	(3,910,070)	(3,182,728)	727,342
Fund balances, beginning of fiscal year	28,207,839	28,207,839	28,207,839	-
Fund balances, end of fiscal year	\$ 28,416,919	\$ 24,297,769	\$ 25,025,111	\$ 727,342

CITY OF SANTA BARBARA
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CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
REDEVELOPMENT AGENCY SPECIAL REVENUE FUND
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Taxes	\$ 17,325,000	\$ 17,325,000	\$ 18,080,961	\$ 755,961
Use of money and property	663,000	663,000	1,378,942	715,942
Charges for services	-	-	54,615	54,615
Other revenues	-	-	477,673	477,673
Total revenues	<u>17,988,000</u>	<u>17,988,000</u>	<u>19,992,191</u>	<u>2,004,191</u>
Expenditures:				
Current:				
Community development	4,189,714	7,316,210	4,051,481	3,264,729
Debt service:				
Principal	440,000	440,000	440,000	-
Interest	195,075	195,075	228,825	(33,750)
Total expenditures	<u>4,824,789</u>	<u>7,951,285</u>	<u>4,720,306</u>	<u>3,230,979</u>
Excess of revenues over expenditures	<u>13,163,211</u>	<u>10,036,715</u>	<u>15,271,885</u>	<u>5,235,170</u>
Other financing uses:				
Transfers out	<u>(13,225,203)</u>	<u>(13,225,203)</u>	<u>(12,504,339)</u>	<u>720,864</u>
Net change in fund balances	(61,992)	(3,188,488)	2,767,546	5,956,034
Fund balances, beginning of fiscal year	<u>52,541,739</u>	<u>52,541,739</u>	<u>52,541,739</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ 52,479,747</u>	<u>\$ 49,353,251</u>	<u>\$ 55,309,285</u>	<u>\$ 5,956,034</u>

CITY OF SANTA BARBARA
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CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
SOLID WASTE FUND
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Taxes	\$ 419,916	\$ 419,916	\$ 435,536	\$ 15,620
Intergovernmental	226,000	295,503	91,591	(203,912)
Charges for services	15,968,863	15,968,863	16,000,741	31,878
Other revenues	190,000	190,000	200,302	10,302
Total revenues	<u>16,804,779</u>	<u>16,874,282</u>	<u>16,728,170</u>	<u>(146,112)</u>
Expenditures:				
Current:				
Public works	<u>16,867,804</u>	<u>17,021,383</u>	<u>16,973,500</u>	<u>47,883</u>
Deficiency of revenues under expenditures	(63,025)	(147,101)	(245,330)	(98,229)
Other financing uses:				
Transfers out	<u>(2,141)</u>	<u>(16,035)</u>	<u>(16,035)</u>	<u>-</u>
Net change in fund balances	(65,166)	(163,136)	(261,365)	(98,229)
Fund balances, beginning of fiscal year	<u>2,931,335</u>	<u>2,931,335</u>	<u>2,931,335</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ 2,866,169</u>	<u>\$ 2,768,199</u>	<u>\$ 2,669,970</u>	<u>\$ (98,229)</u>

CITY OF SANTA BARBARA
Required Supplementary Information
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CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
COMMUNITY DEVELOPMENT BLOCK GRANT
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Intergovernmental	\$ 1,106,707	\$ 2,692,611	\$ 1,454,357	\$ (1,238,254)
Program income	350,000	350,000	279,991	(70,009)
Total revenues	<u>1,456,707</u>	<u>3,042,611</u>	<u>1,734,348</u>	<u>(1,308,263)</u>
Expenditures:				
Current:				
Community development	<u>1,455,115</u>	<u>3,041,019</u>	<u>1,732,756</u>	<u>1,308,263</u>
Excess of revenues over expenditures	<u>1,592</u>	<u>1,592</u>	<u>1,592</u>	<u>-</u>
Other financing uses:				
Transfers out	<u>(1,592)</u>	<u>(1,592)</u>	<u>(1,592)</u>	<u>-</u>
Net change in fund balances	-	-	-	-
Fund balances, beginning of fiscal year	<u>2,347</u>	<u>2,347</u>	<u>2,347</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ 2,347</u>	<u>\$ 2,347</u>	<u>\$ 2,347</u>	<u>\$ -</u>

CITY OF SANTA BARBARA
Required Supplementary Information
June 30, 2008

MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS

In accordance with GASB Statement No. 34, the City is required to account for and report infrastructure capital assets. The City defines infrastructure as the basic physical assets including the streets system, water and wastewater treatment plants, drainage systems, bridges, and sidewalks. Each major infrastructure network can be divided into subsystems. For example, the street network can be divided into concrete and asphalt pavements, curbs and gutters, sidewalks, streetlights, traffic control devices, landscaping and land. Subsystem detail is not presented in these basic financial statements; however, the City maintains detailed information on these subsystems.

The City has elected to use the “Modified Approach” as defined by GASB Statement No. 34 for infrastructure reporting for its Streets Pavement System. Under GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated under the following requirements:

- The City manages the eligible infrastructure capital assets using an asset management system with the characteristics of (1) an up-to-date periodic inventory is performed; (2) condition assessments and summary of results using a measurement scale is completed, and (3) annual amounts to maintain and preserve the eligible infrastructure capital assets at the established condition assessment level are estimated.
- The City documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level.

The pavement network within the City has approximately 238 miles of paved surfaces, comprised of 127 miles of residential streets, 40 miles of principal arterial and arterial streets and 71 miles of collector streets. This equates to almost 40,000,000 square feet of pavement.

The City has developed a Pavement Management System to inventory and document the physical condition assessment of the City’s street network, including a pavement preservation program. Every two years the study is updated and identifies and records the updated condition assessment of all of the City’s streets. The streets, which are primarily concrete and asphalt pavement, were defined as the physical features associated with the operation of motorized vehicles that exist within the limits of the right of way. City owned streets are classified based on land use, access, and traffic utilization into the following four classifications: residential, principal arterial, arterial, and collector. It is anticipated the condition assessment will be performed every two years covering at least one-third of the City’s streets on a rotating basis. As part of the study, each street was assigned a physical condition based on a variety of potential defects. A Pavement Condition Index (PCI), a nationally recognized index, is assigned to each street and expressed in a continuous scale from 0 to 100, with 100 being a brand new street and 0 being a badly deteriorated street with virtually no remaining life. The following conditions were assigned:

<u>Condition</u>	<u>Rating</u>
Excellent	86-100
Very Good	71-85
Good	56-70
Fair	41-55
Poor	26-40
Very Poor	11-25
Substandard	0-10

The City’s preservation program and maintenance estimates were developed to maintain the current infrastructure of streets at or above the average actual condition levels of the streets at the time each of the studies was conducted in 2001, 2002, 2004, 2006 and 2008 which were 74, 75, 72, 71 and 71 (“Very Good”), respectively. The City’s formal policy with regard to preservation levels is to maintain a minimum average rating of no less than 60 (“Good”) for all streets. This rating level allows minor cracking and raveling of the pavement along with minor roughness that could be noticeable to drivers traveling at posted speeds. As of June 30, 2008, the City’s street system was rated an average PCI index value of 71 (“Very Good”) with the detail condition as follows:

CITY OF SANTA BARBARA
Required Supplementary Information
June 30, 2008

<u>Condition</u>	<u>Approximate % of Streets</u>
Excellent to Good	91%
Fair	4%
Poor to Substandard	5%

In general, streets are constantly deteriorating resulting from the following four factors: (1) traffic using the streets; (2) the sun's ultra-violet rays drying out and breaking down the top layer of pavement; (3) utility company/private development interests trenching operations; and (4) water damage from natural precipitation and other urban runoff. The City is continuously taking actions to minimize the deterioration through short-term maintenance activities such as pothole patching. The City expended \$3,135,532 on street maintenance for the fiscal year ended June 30, 2008. The City has estimated that the average amount of annual expenditures required for fiscal years 2009-2013 to maintain the City's streets at an average PCI rating of at least 70 is approximately \$5,600,000. The estimated amount of deferred maintenance with an average PCI rating of 70 is \$13.8 million at June 30, 2008. A schedule of estimated annual amount calculated to maintain and preserve its streets at the current level compared to actual expenditures for street maintenance for the last five years is presented below:

<u>Fiscal Year</u>	<u>Maintenance Estimate</u>	<u>Actual Expenditures</u>	<u>PCI Rating</u>
2003-2004	\$ 3,350,000	\$ 3,607,033	72
2004-2005	2,683,648	2,270,022	72
2005-2006	3,856,200	2,963,855	71
2006-2007	6,355,188	3,230,977	71
2007-2008	6,021,356	3,135,532	71

The City's on-going street preservation program is also intended to maintain the condition rating of City streets. The preservation program is developed with a six-year cycle that is tied to 6 maintenance zones with 1 zone completed each year. The strategy objective is to maintain City streets over the next 6 years and maintain the overall condition of the road network, and involves both slurry seal and pavement resurfacing as preservation components. For pavements that are beyond economical preservation, reconstruction may be proposed to restore the pavement.



NONMAJOR GOVERNMENTAL FUNDS

Traffic Safety Fund - To account for the receipt of fines collected pursuant to the California Vehicle Code. The State of California Government Code restricts use of these funds to traffic control devices, equipment and supplies related to traffic control or traffic safety and maintenance of public streets. The funds may not be used to pay compensation of traffic or police officers.

Creek Restoration/Water Quality Fund - To account for funds received from a two-percent tax increase in the City's transient occupancy tax. The proceeds are restricted for use in the City's Creeks Restoration and Water Quality Improvement Program. Measure B was approved by the voters of Santa Barbara County in an election held on November 7, 2000. The tax became effective on January 1, 2001.

Transportation Development Fund - To account for the receipt and disbursement of the City's share of gasoline sales tax pursuant to the Transportation Development Act of 1971. These funds are restricted for use in support of alternative transportation, including sidewalks and bikeways.

HOME Program Fund - To account for the receipt and disbursement of the City's Federal HOME grant funds.

County Library Fund- To account for funds received and expended for library services on behalf of the County (non-City) residents.

Street Sweeping Fund- To account for funds received and expended for street sweeping services.

Measure D Road Maintenance Fund - To account for funds received from a one-half cent sales tax levied Countywide pursuant to Measure D. This measure was approved by the voters of Santa Barbara County in an election held on November 7, 1989, and became effective on April 1, 1990. The proceeds are restricted to transportation uses.

Wildland Fire Suppression Fund- To account for funds received and expended for wildland fire suppression.

Undergrounding Utility Fund- To account for funds received and expended for undergrounding utility services.

Police - Asset Forfeiture Fund (Unbudgeted) - To account for assets confiscated by police special operations. These funds are restricted to use in support of police operations.

Miscellaneous Grants Fund (Unbudgeted)- To account for resources received from various granting agencies.

FEMA Reimbursement Storm Fund (Unbudgeted) - To account for costs incurred as a result of the two federally declared disasters in February, 1998; and the storm in January, 2005.

Police – Supplemental Law Enforcement Fund - To account for State voter-approved grant funds (AB 3229) restricted to public safety and law enforcement.

Police – Local Law Enforcement Block Grant Fund - To account for Federal grants funds received for local law enforcement activities.

General Capital Improvements Fund - To account for all capital projects financed by the General Fund.

Street Grant Capital Improvements Fund - To account for streets-related capital projects financed by Grants.

Street Capital Improvements Fund - To account for streets-related capital projects financed by the General Fund.

Creeks Restoration Capital Improvement Fund - To account for creeks restoration capital improvements funded by Measure B.

1995 Redevelopment Agency Refunding Tax Allocation Bonds Fund (Unbudgeted) - To accumulate funds for the payment of the 1995 Refunding Tax Allocation Bonds.

2002 Municipal Refunding Certificates of Participation Fund (Unbudgeted) - To accumulate funds for the payment of the General Fund's portion of the 2002 municipal improvement refunding certificates of participation.



**CITY OF SANTA BARBARA
COMBINING BALANCE SHEET
NONMAJOR - GOVERNMENTAL FUNDS
June 30, 2008**

	Special Revenue						
	Traffic Safety	Creek Restoration/ Water Quality	Transpor- tation Develop.	HOME Program	County Library	Street Sweeping	Measure D Road Maintenance
<u>Assets</u>							
Cash and investments	\$ 3,850	\$ 4,846,640	\$ 334,531	\$ 67	\$ 104,238	\$ 1,589,556	\$ 3,526,544
Accounts receivable	-	253,857	-	-	340,380	-	327,227
Loans receivable	-	-	-	4,980,814	-	-	-
Due from other agencies	-	-	-	57,493	-	-	-
Prepaid assets and deposits	-	-	-	-	-	-	-
Cash and investments with fiscal agents	-	-	-	-	-	-	-
Total assets	<u>\$ 3,850</u>	<u>\$ 5,100,497</u>	<u>\$ 334,531</u>	<u>\$ 5,038,374</u>	<u>\$ 444,618</u>	<u>\$ 1,589,556</u>	<u>\$ 3,853,771</u>
<u>Liabilities and Fund Balances</u>							
Liabilities:							
Accounts payable	\$ 3,850	\$ 64,803	\$ -	\$ -	\$ 40,672	\$ 26,423	\$ 271,509
Salaries and benefits payable	-	37,527	-	1,645	58,664	13,327	27,411
Interest payable	-	-	-	-	-	-	-
Interfund payables	-	-	-	55,915	-	-	-
Deposits	-	-	-	-	-	-	-
Deferred revenue	-	-	-	4,980,814	-	-	-
Loans Payable	-	-	-	-	-	-	-
Total liabilities	<u>3,850</u>	<u>102,330</u>	<u>-</u>	<u>5,038,374</u>	<u>99,336</u>	<u>39,750</u>	<u>298,920</u>
Fund balances:							
Reserved:							
Encumbrances	-	262,884	159,457	-	12,553	2,814	2,880,417
Due from other agencies	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Street improvements	-	-	175,074	-	-	1,546,992	674,434
Parks	-	-	-	-	-	-	-
Library	-	-	-	-	332,729	-	-
Community development	-	-	-	-	-	-	-
Community services	-	-	-	-	-	-	-
Future projects	-	4,735,283	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Total fund balances	<u>-</u>	<u>4,998,167</u>	<u>334,531</u>	<u>-</u>	<u>345,282</u>	<u>1,549,806</u>	<u>3,554,851</u>
Total liabilities and fund balances	<u>\$ 3,850</u>	<u>\$ 5,100,497</u>	<u>\$ 334,531</u>	<u>\$ 5,038,374</u>	<u>\$ 444,618</u>	<u>\$ 1,589,556</u>	<u>\$ 3,853,771</u>

Special Revenue							Capital Projects
Wildland Fire Suppression	Under- grounding Utility	Police - Asset Forfeiture	Miscellaneous Grants	FEMA Reimbursement Storm Fund	Police - Supplemental Law Enforcement	Police - Local Law Enforcement Block Grant	General Capital Improvements
\$ 128,453	\$ 1,069,770	\$ 890,557	\$ 694,395	\$ 51,357	\$ 7,615	\$ -	\$ 2,594,308
-	27,120	6,213	876	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	115,852	282,607	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ 128,453	\$ 1,096,890	\$ 896,770	\$ 811,123	\$ 333,964	\$ 7,615	\$ -	\$ 2,594,308
\$ 11,135	\$ 2,190	\$ 75	\$ 12,305	\$ -	\$ -	\$ -	\$ 351,626
1,873	-	-	-	-	7,615	-	-
-	-	40,456	-	-	-	-	-
-	-	-	-	388,365	-	-	-
-	-	138,859	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
13,008	2,190	179,390	12,305	388,365	7,615	-	351,626
78,285	919,199	710,629	32,319	-	-	-	1,899,400
-	-	-	115,852	(54,401)	-	-	-
37,160	-	6,751	163,954	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	175,501	-	23,059	-	-	-	-
-	-	-	265,459	-	-	-	-
-	-	-	198,175	-	-	-	343,282
-	-	-	-	-	-	-	-
115,445	1,094,700	717,380	798,818	(54,401)	-	-	2,242,682
\$ 128,453	\$ 1,096,890	\$ 896,770	\$ 811,123	\$ 333,964	\$ 7,615	\$ -	\$ 2,594,308

(Continued)

**CITY OF SANTA BARBARA
COMBINING BALANCE SHEET
NONMAJOR - GOVERNMENTAL FUNDS
June 30, 2008**

	Capital Projects			Debt Service		Total Nonmajor Governmental Funds
	Streets Grant Capital	Street Capital Improvements	Creeks Restoration Capital Improvement	1995 Refunding Tax Allocation Bonds	2002 Municipal Refunding Certificates	
<u>Assets</u>						
Cash and investments	\$ -	\$ 4,366,053	\$ 2,638,641	\$ -	\$ -	\$ 22,846,575
Accounts receivable	-	986,312	-	-	-	1,941,985
Loans receivable	-	-	-	-	-	4,980,814
Due from other agencies	-	-	-	-	-	455,952
Prepaid assets and deposits	-	21,716	-	-	-	21,716
Cash and investments with fiscal agents	-	-	-	-	561,279	561,279
Total assets	\$ -	\$ 5,374,081	\$ 2,638,641	\$ -	\$ 561,279	\$ 30,808,321
<u>Liabilities and Fund Balances</u>						
Liabilities:						
Accounts payable	\$ -	\$ 949,555	\$ 30,093	\$ -	\$ -	\$ 1,764,236
Salaries and benefits payable	-	149,356	-	-	-	297,418
Interest payable	-	-	-	-	-	40,456
Interfund payables	-	197,200	-	-	-	641,480
Deposits	-	-	-	-	-	138,859
Deferred revenue	-	-	-	-	-	4,980,814
Loans Payable	-	-	-	-	-	-
Total liabilities	-	1,296,111	30,093	-	-	7,863,263
Fund balances:						
Reserved:						
Encumbrances	-	3,669,985	2,237,082	-	-	12,865,024
Due from other agencies	-	-	-	-	-	61,451
Public safety	-	-	-	-	-	207,865
Street improvements	-	399,567	-	-	-	2,796,067
Parks	-	-	371,466	-	-	371,466
Library	-	-	-	-	-	332,729
Community development	-	-	-	-	-	198,560
Community services	-	-	-	-	-	265,459
Future projects	-	8,418	-	-	-	5,285,158
Debt service	-	-	-	-	561,279	561,279
Total fund balances	-	4,077,970	2,608,548	-	561,279	22,945,058
Total liabilities and fund balances	\$ -	\$ 5,374,081	\$ 2,638,641	\$ -	\$ 561,279	\$ 30,808,321



CITY OF SANTA BARBARA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR - GOVERNMENTAL FUNDS
Fiscal Year Ended June 30, 2008

	Special Revenue						
	Traffic Safety	Creek Restoration/ Water Quality	Transpor- tation Develop.	HOME Program	County Library	Street Sweeping	Measure D Road Maintenance
Revenues:							
Taxes	\$ -	\$ 2,587,155	\$ 65,061	\$ -	\$ -	\$ -	\$ 4,713,277
Franchise fees	-	-	-	-	-	-	-
Intergovernmental	-	-	-	1,290,074	1,597,477	-	-
Fines and forfeitures	516,097	-	-	-	151,398	958,542	-
Use of money and property	-	450,326	19,982	-	15,327	-	218,373
Charges for services	-	-	-	-	-	-	-
Program income	-	-	-	3,344	-	-	-
Other revenues	-	924	-	-	43,775	-	-
Total revenues	516,097	3,038,405	85,043	1,293,418	1,807,977	958,542	4,931,650
Expenditures:							
Current:							
Public safety	30,835	-	-	-	-	-	-
Public works	-	1,475,155	117,856	-	-	1,099,348	4,863,488
Community services	-	-	-	-	1,748,881	-	-
Community development	-	-	-	1,293,418	-	-	-
Capital Outlay:							
Capital improvements	-	-	-	-	-	-	-
Debt Service:							
Principle retirement	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total expenditures	30,835	1,475,155	117,856	1,293,418	1,748,881	1,099,348	4,863,488
Excess (deficiency) of revenues over (under) expenditures	485,262	1,563,250	(32,813)	-	59,096	(140,806)	68,162
Other financing sources (uses):							
Transfers in	-	-	-	-	-	317,188	-
Transfers out	(485,262)	(806,169)	-	-	(2,554)	(3,432)	(796)
Total other financing sources (uses)	(485,262)	(806,169)	-	-	(2,554)	313,756	(796)
Net change in fund balances	-	757,081	(32,813)	-	56,542	172,950	67,366
Fund balances, beginning of fiscal year	-	4,241,086	367,344	-	288,740	1,376,856	3,487,485
Fund balances, end of fiscal year	\$ -	\$ 4,998,167	\$ 334,531	\$ -	\$ 345,282	\$ 1,549,806	\$ 3,554,851

Special Revenue							Capital Projects
Wildland Fire Suppression	Under- grounding Utility	Police - Asset Forfeiture	Miscellaneous Grants	FEMA Reim- bursement Storm Fund	Police - Supplemental Law Enforcement	Police - Local Law Enforcement Block Grant	General Capital Improvements
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	351,728	-	-	-	-	-	-
-	-	126,503	173,653	-	172,020	-	1,591,974
-	-	-	-	-	-	-	-
-	-	18,531	-	-	-	612	-
-	8,432	-	112,759	108,472	-	-	-
-	-	-	-	-	-	-	-
218,998	-	95,931	501,396	-	-	-	83,136
218,998	360,160	240,965	787,808	108,472	172,020	612	1,675,110
-	-	110,509	115,497	-	172,020	123	-
179,646	198,902	-	15,883	326,846	-	-	-
-	-	-	660,020	-	-	-	-
-	-	-	31,161	-	-	-	-
-	-	-	-	-	-	-	3,059,131
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
179,646	198,902	110,509	822,561	326,846	172,020	123	3,059,131
39,352	161,258	130,456	(34,753)	(218,374)	-	489	(1,384,021)
-	-	-	142,385	-	-	-	1,751,926
-	-	-	-	-	-	(14,284)	-
-	-	-	142,385	-	-	(14,284)	1,751,926
39,352	161,258	130,456	107,632	(218,374)	-	(13,795)	367,905
76,093	933,442	586,924	691,186	163,973	-	13,795	1,874,777
\$ 115,445	\$ 1,094,700	\$ 717,380	\$ 798,818	\$ (54,401)	\$ -	\$ -	\$ 2,242,682

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CITY OF SANTA BARBARA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR - GOVERNMENTAL FUNDS
Fiscal Year Ended June 30, 2007

	Capital Projects			Debt Service		Total
	Streets Grant Capital	Street Capital Improvements	Creeks Restoration Capital Improvements	1995 Re- funding Tax Allocation Bonds	2002 Municipal Refunding Certificates	Nonmajor Governmental Funds
Revenues:						
Taxes	\$ -	\$ 6,844,081	\$ -	\$ -	\$ -	\$ 14,209,574
Franchise fees	-	-	-	-	-	351,728
Intergovernmental	3,202,223	3,761,092	446,781	-	-	12,361,797
Fines and forfeitures	-	-	-	-	-	1,626,037
Use of money and property	-	1,525	-	21,604	30,114	776,394
Charges for services	-	442,644	-	-	-	672,307
Program income	-	-	-	-	-	3,344
Other revenues	-	106,072	-	-	-	1,050,232
Total revenues	3,202,223	11,155,414	446,781	21,604	30,114	31,051,413
Expenditures:						
Current:						
Public safety	-	-	-	-	-	428,984
Public works	405	6,865,624	-	-	-	15,143,153
Community services	-	-	-	-	-	2,408,901
Community development	-	-	-	-	-	1,324,579
Capital Outlay:						
Capital improvements	3,201,818	5,827,066	391,696	-	-	12,479,711
Debt Service:						
Principle retirement	-	-	-	3,265,000	231,000	3,496,000
Interest	-	-	-	195,900	123,192	319,092
Total expenditures	3,202,223	12,692,690	391,696	3,460,900	354,192	35,600,420
Excess (deficiency) of revenues over (under) expenditures	-	(1,537,276)	55,085	(3,439,296)	(324,078)	(4,549,007)
Other financing sources (uses):						
Transfers in	-	130,225	635,000	2,740,669	324,058	6,041,451
Transfers out	-	(159,555)	-	-	-	(1,472,052)
Total other financing sources (uses)	-	(29,330)	635,000	2,740,669	324,058	4,569,399
Net change in fund balances	-	(1,566,606)	690,085	(698,627)	(20)	20,392
Fund balances, beginning of fiscal year	-	5,644,576	1,918,463	698,627	561,299	22,924,666
Fund balances, end of fiscal year	\$ -	\$ 4,077,970	\$ 2,608,548	\$ -	\$ 561,279	\$ 22,945,058

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
TRAFFIC SAFETY
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues:				
Fines and forfeitures	\$ 580,000	\$ 580,000	\$ 516,097	\$ (63,903)
Expenditures:				
Current:				
Protection of persons and property	30,000	30,000	30,835	(835)
Excess of revenues over expenditures	550,000	550,000	485,262	(64,738)
Other financing uses:				
Transfers out	(550,000)	(550,000)	(485,262)	64,738
Net change in fund balances	-	-	-	-
Fund balances, beginning of fiscal year	-	-	-	-
Fund balances, end of fiscal year	\$ -	\$ -	\$ -	\$ -

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
CREEKS RESTORATION/WATER QUALITY
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 2,716,300	\$ 2,716,300	\$ 2,587,155	\$ (129,145)
Use of money and property	201,087	201,087	450,326	249,239
Other revenues	-	-	924	924
Total revenues	<u>2,917,387</u>	<u>2,917,387</u>	<u>3,038,405</u>	<u>121,018</u>
Expenditures:				
Current:				
Public works	<u>1,920,387</u>	<u>2,136,770</u>	<u>1,475,155</u>	<u>661,615</u>
Excess of revenues over expenditures	997,000	780,617	1,563,250	782,633
Other financing uses:				
Transfers out	<u>(806,169)</u>	<u>(806,169)</u>	<u>(806,169)</u>	<u>-</u>
Net change in fund balances	190,831	(25,552)	757,081	782,633
Fund balances, beginning of fiscal year	<u>4,241,086</u>	<u>4,241,086</u>	<u>4,241,086</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ 4,431,917</u>	<u>\$ 4,215,534</u>	<u>\$ 4,998,167</u>	<u>\$ 782,633</u>

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
TRANSPORTATION DEVELOPMENT
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 75,000	\$ 75,000	\$ 65,061	\$ (9,939)
Use of money and property	13,300	13,300	19,982	6,682
Total revenues	<u>88,300</u>	<u>88,300</u>	<u>85,043</u>	<u>(3,257)</u>
Expenditures:				
Current:				
Public works	<u>150,000</u>	<u>273,468</u>	<u>117,856</u>	<u>155,612</u>
Deficiency of revenues under expenditures	(61,700)	(185,168)	(32,813)	152,355
Fund balances, beginning of fiscal year	<u>367,344</u>	<u>367,344</u>	<u>367,344</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ 305,644</u>	<u>\$ 182,176</u>	<u>\$ 334,531</u>	<u>\$ 152,355</u>

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
HOME PROGRAM
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 811,539	\$ 3,112,193	\$ 1,290,074	\$ (1,822,119)
Program income	5,000	5,000	3,344	(1,656)
Total revenues	<u>816,539</u>	<u>3,117,193</u>	<u>1,293,418</u>	<u>(1,823,775)</u>
Expenditures:				
Current:				
Community development	<u>816,539</u>	<u>3,117,193</u>	<u>1,293,418</u>	<u>1,823,775</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Fund balances, beginning of fiscal year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
COUNTY LIBRARY
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 1,285,867	\$ 1,285,867	\$ 1,597,477	\$ 311,610
Fines and forfeitures	175,000	175,000	151,398	(23,602)
Use of money and property	-	-	15,327	15,327
Other revenues	75,000	75,000	43,775	(31,225)
Total revenues	<u>1,535,867</u>	<u>1,535,867</u>	<u>1,807,977</u>	<u>272,110</u>
Expenditures:				
Current:				
Community services	<u>1,810,692</u>	<u>1,762,557</u>	<u>1,748,881</u>	<u>13,676</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(274,825)</u>	<u>(226,690)</u>	<u>59,096</u>	<u>285,786</u>
Other financing sources (uses):				
Transfers in	65,000	65,000	-	(65,000)
Transfers out	<u>(2,554)</u>	<u>(71,000)</u>	<u>(2,554)</u>	<u>(68,446)</u>
Total other financing sources (uses)	<u>62,446</u>	<u>(6,000)</u>	<u>(2,554)</u>	<u>(133,446)</u>
Net change in fund balances	(212,379)	(232,690)	56,542	152,340
Fund balances, beginning of fiscal year	<u>288,740</u>	<u>288,740</u>	<u>288,740</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ 76,361</u>	<u>\$ 56,050</u>	<u>\$ 345,282</u>	<u>\$ 152,340</u>

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
STREET SWEEPING
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues:				
Fines and forfeitures	\$ 975,000	\$ 975,000	\$ 958,542	\$ (16,458)
Expenditures:				
Current:				
Public works	1,256,895	1,497,808	1,099,348	398,460
Deficiency of revenue under expenditures	(281,895)	(522,808)	(140,806)	382,002
Other financing sources (uses):				
Transfers in	317,188	317,188	317,188	-
Transfers out	(3,432)	(3,432)	(3,432)	-
Total other financing sources	313,756	313,756	313,756	-
Net change in fund balances	31,861	(209,052)	172,950	382,002
Fund balances, beginning of fiscal year	1,376,856	1,376,856	1,376,856	-
Fund balances, end of fiscal year	\$ 1,408,717	\$ 1,167,804	\$ 1,549,806	\$ 382,002

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
MEASURE D ROAD MAINTENANCE
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 4,875,000	\$ 4,875,000	\$ 4,713,277	\$ (161,723)
Use of money and property	195,000	195,000	218,373	23,373
Total revenues	<u>5,070,000</u>	<u>5,070,000</u>	<u>4,931,650</u>	<u>(138,350)</u>
Expenditures:				
Current:				
Public works	<u>5,224,704</u>	<u>8,001,467</u>	<u>4,863,488</u>	<u>3,137,979</u>
Excess (deficiency) of revenues over (under) expenditures	(154,704)	(2,931,467)	68,162	2,999,629
Other financing uses:				
Transfers out	<u>(796)</u>	<u>(796)</u>	<u>(796)</u>	<u>-</u>
Net change in fund balances	(155,500)	(2,932,263)	67,366	2,999,629
Fund balances, beginning of fiscal year	<u>3,487,485</u>	<u>3,487,485</u>	<u>3,487,485</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ 3,331,985</u>	<u>\$ 555,222</u>	<u>\$ 3,554,851</u>	<u>\$ 2,999,629</u>

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
WILDLAND FIRE SUPPRESSION ASSESSMENT
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance from</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Revenues:				
Other revenues	<u>\$ 223,811</u>	<u>\$ 223,811</u>	<u>\$ 218,998</u>	<u>\$ (4,813)</u>
Expenditures:				
Current:				
Protection of persons and property	<u>223,811</u>	<u>263,028</u>	<u>179,646</u>	<u>83,382</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(39,217)</u>	<u>39,352</u>	<u>78,569</u>
Fund balances, beginning of fiscal year	<u>76,093</u>	<u>76,093</u>	<u>76,093</u>	<u>-</u>
Fund balances, end of fiscal year	<u><u>\$ 76,093</u></u>	<u><u>\$ 36,876</u></u>	<u><u>\$ 115,445</u></u>	<u><u>\$ 78,569</u></u>

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
UNDERGROUNDING UTILITY
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Franchise fees	\$ 390,000	\$ 390,000	\$ 351,728	\$ (38,272)
Charges for services	-	-	8,432	8,432
Total revenues	<u>390,000</u>	<u>390,000</u>	<u>360,160</u>	<u>(29,840)</u>
Expenditures:				
Current:				
Public works	<u>390,000</u>	<u>1,118,102</u>	<u>198,902</u>	<u>919,200</u>
Excess (deficiency) of revenues over (under) expenditures	-	(728,102)	161,258	889,360
Fund balances, beginning of fiscal year	<u>933,442</u>	<u>933,442</u>	<u>933,442</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ 933,442</u>	<u>\$ 205,340</u>	<u>\$ 1,094,700</u>	<u>\$ 889,360</u>

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
POLICE - SUPPLEMENTAL LAW ENFORCEMENT
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Intergovernmental	\$ 141,512	\$ 141,512	\$ 172,020	\$ 30,508
Expenditures:				
Current:				
Protection of persons and property	141,512	141,512	172,020	(30,508)
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Fund balances, beginning of fiscal year	-	-	-	-
Fund balances, end of fiscal year	\$ -	\$ -	\$ -	\$ -

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
POLICE - LOCAL LAW ENFORCEMENT BLOCK GRANT
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues:				
Use of money and property	\$ -	\$ -	\$ 612	\$ 612
Expenditures:				
Current:				
Protection of persons and property	-	-	123	(123)
Excess of revenues over expenditures	-	-	489	489
Other financing uses:				
Transfers out	-	-	(14,284)	14,284
Net change in fund balances	-	-	(13,795)	14,773
Fund balances, beginning of fiscal year	13,795	13,795	13,795	-
Fund balances, end of fiscal year	\$ 13,795	\$ 13,795	\$ -	\$ 14,773

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
GENERAL CAPITAL IMPROVEMENTS
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ -	\$ 2,544,087	\$ 1,591,974	\$ (952,113)
Other revenues	25,000	133,697	83,136	(50,561)
Total revenues	<u>25,000</u>	<u>2,677,784</u>	<u>1,675,110</u>	<u>(1,002,674)</u>
Expenditures:				
Capital outlay:				
Capital improvements	<u>1,662,802</u>	<u>6,111,448</u>	<u>3,059,131</u>	<u>3,052,317</u>
Deficiency of revenues under expenditures	(1,637,802)	(3,433,664)	(1,384,021)	2,049,643
Other financing sources:				
Transfers in	<u>1,694,679</u>	<u>1,795,623</u>	<u>1,751,926</u>	<u>(43,697)</u>
Net change in fund balances	56,877	(1,638,041)	367,905	2,005,946
Fund balances, beginning of fiscal year	<u>1,874,777</u>	<u>1,874,777</u>	<u>1,874,777</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ 1,931,654</u>	<u>\$ 236,736</u>	<u>\$ 2,242,682</u>	<u>\$ 2,005,946</u>

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
STREET GRANT CAPITAL IMPROVEMENTS
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance from</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Revenues:				
Intergovernmental	\$ -	\$ 12,906,751	\$ 3,202,223	\$ (9,704,528)
Expenditures:				
Capital outlay:				
Capital improvements	-	12,906,751	3,202,223	9,704,528
Total expenditures	-	12,906,751	3,202,223	9,704,528
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balances, beginning of fiscal year	-	-	-	-
Fund balances, end of fiscal year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

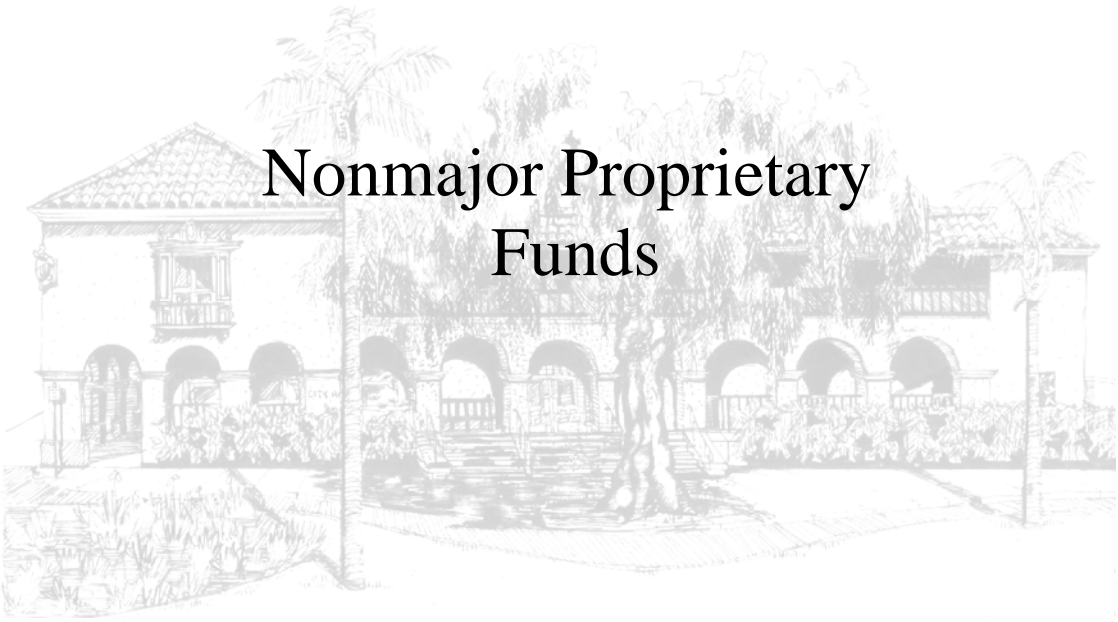
CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
STREET CAPITAL IMPROVEMENTS
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Taxes	\$ 6,846,800	\$ 6,846,800	\$ 6,844,081	\$ (2,719)
Intergovernmental	2,825,000	3,887,709	3,761,092	(126,617)
Use of money and property	-	-	1,525	1,525
Charges for services	440,000	501,000	442,644	(58,356)
Other revenues	-	-	106,072	106,072
Total revenues	<u>10,111,800</u>	<u>11,235,509</u>	<u>11,155,414</u>	<u>(80,095)</u>
Expenditures:				
Capital outlay:				
Public works	6,707,160	7,112,596	6,865,624	246,972
Capital improvements	<u>3,322,000</u>	<u>9,638,838</u>	<u>5,827,066</u>	<u>3,811,772</u>
Total expenditures	<u>10,029,160</u>	<u>16,751,434</u>	<u>12,692,690</u>	<u>4,058,744</u>
Excess (deficiency) of revenues over (under) expenditures	<u>82,640</u>	<u>(5,515,925)</u>	<u>(1,537,276)</u>	<u>3,978,649</u>
Other financing sources (uses):				
Transfers in	128,132	140,132	130,225	(9,907)
Transfers out	<u>(159,555)</u>	<u>(159,555)</u>	<u>(159,555)</u>	<u>-</u>
Total other financing sources (uses)	<u>(31,423)</u>	<u>(19,423)</u>	<u>(29,330)</u>	<u>(9,907)</u>
Net change in fund balances	51,217	(5,535,348)	(1,566,606)	3,968,742
Fund balances, beginning of fiscal year	<u>5,644,576</u>	<u>5,644,576</u>	<u>5,644,576</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ 5,695,793</u>	<u>\$ 109,228</u>	<u>\$ 4,077,970</u>	<u>\$ 3,968,742</u>

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
CREEKS RESTORATION CAPITAL IMPROVEMENTS
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ -	\$ 741,820	\$ 446,781	\$ (295,039)
Other revenues	-	180,000	-	(180,000)
Total revenues	-	921,820	446,781	(475,039)
Expenditures:				
Capital Outlay:				
Capital improvements	635,000	3,160,978	391,696	2,769,282
Excess (deficiency) of revenues over (under) expenditures	(635,000)	(2,239,158)	55,085	2,294,243
Other financing sources:				
Transfers in	635,000	635,000	635,000	-
Net change in fund balances	-	(1,604,158)	690,085	2,294,243
Fund balances, beginning of fiscal year	1,918,463	1,918,463	1,918,463	-
Fund balances, end of fiscal year	\$ 1,918,463	\$ 314,305	\$ 2,608,548	\$ 2,294,243





NONMAJOR PROPRIETARY FUNDS

Downtown Parking Fund - To account for the provision of parking services in the downtown area of the City. All activities necessary to provide such services are accounted for in this fund including, but not limited to, administration, operations, maintenance, capital acquisition and construction, financing and related debt service, and billing and collection of fees.

Golf Course Fund - To account for the operation of a municipal golf course. All activities necessary to provide such services are accounted for in this fund including, but not limited to, administration, operations, maintenance, capital acquisition and construction, financing and related debt service, and billing and collection of fees.

CITY OF SANTA BARBARA
COMBINING STATEMENT OF NET ASSETS
NONMAJOR PROPRIETARY FUNDS
June 30, 2008

	Downtown Parking	Golf Course	Total Nonmajor Proprietary Funds
<u>Assets</u>			
Current Assets:			
Cash and investments	\$ 8,104,253	\$ 1,421,657	\$ 9,525,910
Accounts receivable, net	7,498	-	7,498
Total current assets	<u>8,111,751</u>	<u>1,421,657</u>	<u>9,533,408</u>
Capital Assets:			
Capital Assets:			
Land	4,943,771	342,302	5,286,073
Buildings	4,677,851	1,198,600	5,876,451
Building improvements	-	90,749	90,749
Improvements other than buildings	4,024,835	2,620,530	6,645,365
Equipment	378,702	807,831	1,186,533
Construction in progress	1,221,217	581,463	1,802,680
Less accumulated depreciation	(5,391,336)	(2,687,641)	(8,078,977)
Total capital assets, (net)	<u>9,855,040</u>	<u>2,953,834</u>	<u>12,808,874</u>
Other Assets:			
Deferred charge-loss on defeasance, net	-	106,639	106,639
Total assets	<u>17,966,791</u>	<u>4,482,130</u>	<u>22,448,921</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	150,258	19,211	169,469
Accrued interest payable	-	1,578	1,578
Salaries and benefits payable	170,544	53,007	223,551
Deposits	40,672	-	40,672
Deferred revenue	-	16,302	16,302
Compensated absences payable	98,551	48,010	146,561
Current portion long term debt	-	124,100	124,100
Total current liabilities	<u>460,025</u>	<u>262,208</u>	<u>722,233</u>
Non-current liabilities:			
Long-term debt, net of current portion	-	1,337,900	1,337,900
Advances from other funds	-	100,000	100,000
Compensated absences payable	10,950	5,334	16,284
	<u>10,950</u>	<u>1,443,234</u>	<u>1,454,184</u>
Total liabilities	<u>470,975</u>	<u>1,705,442</u>	<u>2,176,417</u>
<u>Net Assets:</u>			
Invested in capital assets net of related debt	9,855,040	1,491,834	11,346,874
Unrestricted	7,640,776	1,284,854	8,925,630
Total net assets	<u>\$ 17,495,816</u>	<u>\$ 2,776,688</u>	<u>\$ 20,272,504</u>

CITY OF SANTA BARBARA
COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS
NONMAJOR PROPRIETARY FUNDS
Fiscal Year Ended June 30, 2008

	Downtown Parking	Golf Course	Total Nonmajor Proprietary Funds
Operating Revenues:			
Charges for sales and services:			
Service charges	\$ 5,799,823	\$ 1,932,255	\$ 7,732,078
Leases and rents	-	310,213	310,213
Other revenues	4,720	2,920	7,640
Total revenues	<u>5,804,543</u>	<u>2,245,388</u>	<u>8,049,931</u>
Operating Expenses:			
Salaries, wages and benefits	3,380,464	1,154,082	4,534,546
Materials, supplies and services	2,698,187	713,646	3,411,833
Depreciation	348,238	213,695	561,933
Total operating expenses	<u>6,426,889</u>	<u>2,081,423</u>	<u>8,508,312</u>
Operating income (loss)	<u>(622,346)</u>	<u>163,965</u>	<u>(458,381)</u>
Non-operating revenues (expenses):			
Taxes	864,671	-	864,671
Investment income	486,199	74,162	560,361
Interest expense	-	(65,887)	(65,887)
Total non-operating revenues (expenses)	<u>1,350,870</u>	<u>8,275</u>	<u>1,359,145</u>
Income (loss)	728,524	172,240	900,764
Transfers in	36,420	-	36,420
Transfers out	<u>(9,523)</u>	<u>(4,416)</u>	<u>(13,939)</u>
Change in net assets	755,421	167,824	923,245
Net assets, beginning of fiscal year	16,740,395	2,608,864	19,349,259
Net assets, end of fiscal year	<u>\$ 17,495,816</u>	<u>\$ 2,776,688</u>	<u>\$ 20,272,504</u>

CITY OF SANTA BARBARA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
Fiscal Year Ended June 30, 2008

	Downtown Parking	Golf Course	Total Nonmajor Proprietary Funds
Cash flows from operating activities:			
Cash received from services	-	1,948,557	1,948,557
Cash received from rents and leases	5,810,343	310,213	6,120,556
Cash payments for goods and services	(2,723,977)	(723,520)	(3,447,497)
Cash payments to employees for services	(3,346,254)	(1,145,554)	(4,491,808)
Cash returned for deposits	4,741	-	4,741
Other operating receipts	4,720	2,920	7,640
Net cash provided (used) by operating activities	<u>(250,427)</u>	<u>392,616</u>	<u>142,189</u>
Cash flows from noncapital financing activities			
Transfers from other funds	36,420	-	36,420
Transfers to other funds	(9,523)	(4,416)	(13,939)
Cash received from taxes and assessments	864,671	-	864,671
Net cash provided (used) by non-capital financing activities	<u>891,568</u>	<u>(4,416)</u>	<u>887,152</u>
Cash flows from capital and related financing activities:			
Payments on long term debt	-	(119,000)	(119,000)
Acquisition of capital assets	(316,262)	(90,093)	(406,355)
Interest paid on debt	-	(53,645)	(53,645)
Net cash provided (used) by capital and related financing activities	<u>(316,262)</u>	<u>(262,738)</u>	<u>(579,000)</u>
Cash flows from investing activities:			
Cash received on investments	486,199	174,162	660,361
Net increase (decrease) in cash and cash equivalents	811,078	299,624	1,110,702
Cash and cash equivalents, beginning of fiscal year	7,293,175	1,122,033	8,415,208
Cash and cash equivalents, end of fiscal year	<u>8,104,253</u>	<u>1,421,657</u>	<u>9,525,910</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	(622,346)	163,965	(458,381)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	348,238	213,695	561,933
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	10,520	-	10,520
Increase (decrease) in accounts payable	(25,790)	(9,874)	(35,664)
Increase (decrease) in accrued salaries payable	25,605	7,697	33,302
Increase (decrease) in deferred revenue	-	16,302	16,302
Increase (decrease) in accrued compensated absences	8,605	831	9,436
Increase (decrease) in deposits	4,741	-	4,741
Net cash provided (used) by operating activities	<u>(250,427)</u>	<u>392,616</u>	<u>142,189</u>



INTERNAL SERVICE FUNDS

Intra-City Service Fund – To account for the costs of operating an automotive maintenance facility and ensuring that vehicles used by all City departments are properly maintained. This fund also accounts for City-wide building maintenance operations, custodial services, and communications.

Self Insurance Fund - To account for the cost of providing workers' compensation, unemployment, liability and employee health insurance coverage on a City-wide basis.

Information Systems Fund - To account for the cost of providing computer equipment and service to all departments and funds within the City.

Vehicle Capital Fund - To account for the costs of purchasing new vehicles for use within the City-wide organization.

CITY OF SANTA BARBARA
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2008

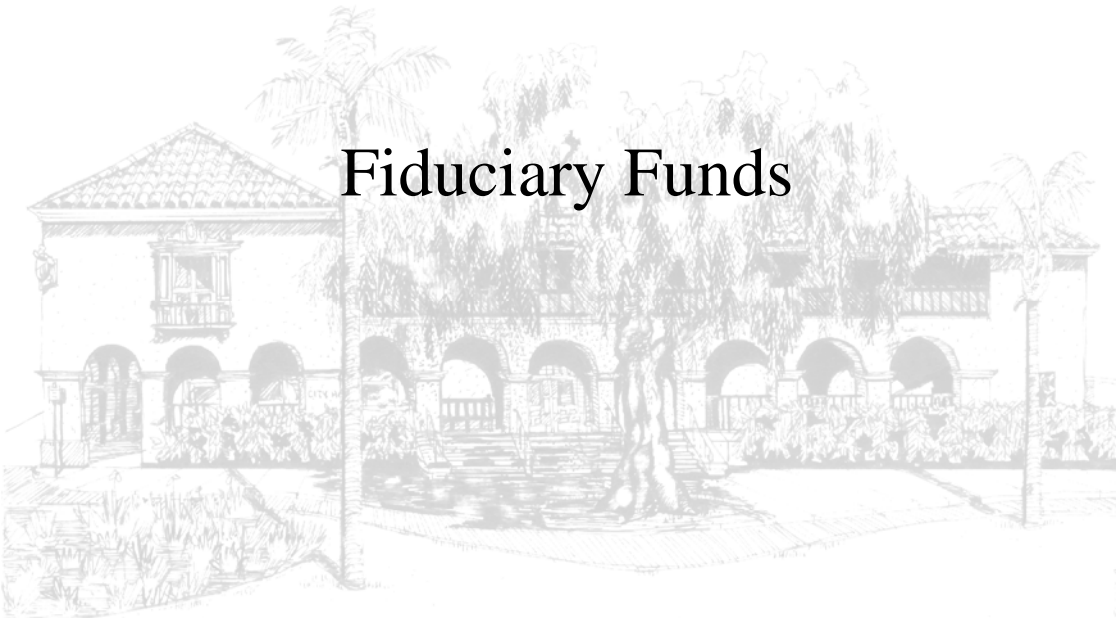
<u>Assets</u>	Intra-City Service	Self- Insurance	Information Systems	Vehicle Capital	Total
Current Assets:					
Cash and investments	\$ 2,558,082	\$ 12,712,105	\$ 1,046,791	\$ 6,510,223	\$ 22,827,201
Accounts receivable	18,113	42,277	-	-	60,390
Inventory, at cost	791,813	-	-	-	791,813
Total current assets	3,368,008	12,754,382	1,046,791	6,510,223	23,679,404
Capital assets:					
Buildings	105,889	-	-	-	105,889
Building improvements	162,584	-	-	-	162,584
Improvements other than building	257,165	-	-	-	257,165
Equipment	305,865	-	-	17,766,193	18,072,058
Construction in progress	-	-	-	174,477	174,477
Less accumulated depreciation	(199,978)	-	-	(13,257,318)	(13,457,296)
Total capital assets, net	631,525	-	-	4,683,352	5,314,877
Total assets	3,999,533	12,754,382	1,046,791	11,193,575	28,994,281
<u>Liabilities</u>					
Current Liabilities:					
Accounts payable	285,112	245,044	50,898	140,896	721,950
Salaries and benefits payable	196,905	19,888	74,195	2,949	293,937
Compensated absences payable	206,032	27,459	82,961	-	316,452
Current portion claims payable	-	2,337,637	-	-	2,337,637
Total current liabilities	688,049	2,630,028	208,054	143,845	3,669,976
Non-current Liabilities:					
Estimated claims payable, net of current portion	-	3,332,264	-	-	3,332,264
Total liabilities	688,049	5,962,292	208,054	143,845	7,002,240
<u>Net Assets</u>					
Unreserved - designated:					
Invested in net assets, net of related debt	631,525	-	-	4,683,352	5,314,877
Unrestricted	2,679,959	6,792,090	838,737	6,366,378	16,677,164
Total net assets	\$ 3,311,484	\$ 6,792,090	\$ 838,737	\$ 11,049,730	\$ 21,992,041

CITY OF SANTA BARBARA
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
Fiscal Year Ended June 30, 2008

	Intra-City Service	Self- Insurance	Information Systems	Vehicle Capital	Total
Operating Revenues:					
Charges for sales and services:					
Service charges	\$ 8,217,019	\$ 5,635,065	\$ 2,485,534	\$ 2,294,907	\$ 18,632,525
Other revenues	69,370	99,367	50,611	-	219,348
Total operating revenues	<u>8,286,389</u>	<u>5,734,432</u>	<u>2,536,145</u>	<u>2,294,907</u>	<u>18,851,873</u>
Operating Expenses:					
Public safety					
Salaries, wages and benefits	4,153,591	495,715	1,600,176	111,867	6,361,349
Materials, supplies and services	3,554,304	1,889,615	1,023,871	41,117	6,508,907
Depreciation	32,292	-	-	1,178,602	1,210,894
Total operating expenses	<u>7,740,187</u>	<u>2,385,330</u>	<u>2,624,047</u>	<u>1,331,586</u>	<u>14,081,150</u>
Operating income (loss)	546,202	3,349,102	(87,902)	963,321	4,770,723
Non-operating Revenues and Expenses:					
Investment income	-	707,603	-	381,469	1,089,072
Other	-	-	-	40,916	40,916
	<u>-</u>	<u>707,603</u>	<u>-</u>	<u>422,385</u>	<u>1,129,988</u>
Income (loss) before transfers	546,202	4,056,705	(87,902)	1,385,706	5,900,711
Transfers In	-	-	450,000	24,324	474,324
Transfers Out	<u>(26,713)</u>	<u>(3,185)</u>	<u>-</u>	<u>-</u>	<u>(29,898)</u>
Change in net assets	519,489	4,053,520	362,098	1,410,030	6,345,137
Net assets, beginning of fiscal year	<u>2,791,995</u>	<u>2,738,570</u>	<u>476,639</u>	<u>9,639,700</u>	<u>15,646,904</u>
Net assets, end of fiscal year	<u>\$ 3,311,484</u>	<u>\$ 6,792,090</u>	<u>\$ 838,737</u>	<u>\$ 11,049,730</u>	<u>\$ 21,992,041</u>

CITY OF SANTA BARBARA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
Fiscal Year Ended June 30, 2008

	Intra-City Service	Self- Insurance	Information Systems	Vehicle Capital	Total
Cash flow from operating activities:					
Cash received from services	\$ 8,201,739	\$ 5,635,064	\$ 2,485,534	\$ 2,298,768	\$ 18,621,105
Cash payments for goods and services	(3,449,688)	(4,674,058)	(980,010)	77,678	(9,026,078)
Cash payments to employees for services	(4,077,714)	(495,249)	(1,581,041)	(111,021)	(6,265,025)
Other operating receipts	69,370	99,367	50,611	-	219,348
Net cash provided (used) by operating activities	<u>743,707</u>	<u>565,124</u>	<u>(24,906)</u>	<u>2,265,425</u>	<u>3,549,350</u>
Cash flows from non-capital financing activities:					
Transfers from other funds	-	-	450,000	24,324	474,324
Transfers to other funds	<u>(26,713)</u>	<u>(3,185)</u>	<u>-</u>	<u>-</u>	<u>(29,898)</u>
Net cash provided (used) by non-capital financing activities	<u>(26,713)</u>	<u>(3,185)</u>	<u>450,000</u>	<u>24,324</u>	<u>444,426</u>
Cash flows from capital and related financing activities:					
Proceeds from disposition of capital assets				40,916	40,916
Acquisition of capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,409,603)</u>	<u>(1,409,603)</u>
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,368,687)</u>	<u>(1,368,687)</u>
Cash flows from investing activities:					
Cash received on investments	<u>-</u>	<u>707,603</u>	<u>-</u>	<u>381,469</u>	<u>1,089,072</u>
Net increase (decrease) in cash and cash equivalents	716,994	1,269,542	425,094	1,302,531	3,714,161
Cash and cash equivalents, beginning of fiscal year	<u>1,841,088</u>	<u>11,442,563</u>	<u>621,697</u>	<u>5,207,692</u>	<u>19,113,040</u>
Cash and cash equivalents, end of fiscal year	<u>\$ 2,558,082</u>	<u>\$ 12,712,105</u>	<u>\$ 1,046,791</u>	<u>\$ 6,510,223</u>	<u>\$ 22,827,201</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 546,202	\$ 3,349,102	\$ (87,902)	\$ 963,321	\$ 4,770,723
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	32,292	-	-	1,178,602	1,210,894
Changes in operating assets and liabilities:					
(Increase) decrease in accounts receivable	(15,280)	(1)	-	3,861	(11,420)
(Increase) decrease in inventories	(59,070)	-	-	-	(59,070)
Increase (decrease) in accounts payable	163,686	193,342	43,861	118,795	519,684
Increase (decrease) in accrued claims	-	(2,977,785)	-	-	(2,977,785)
Increase (decrease) in accrued salaries payable	36,515	3,049	16,251	846	56,661
Increase (decrease) in accrued compensated absences	39,362	(2,583)	2,884	-	39,663
Net cash provided by operating activities	<u>\$ 743,707</u>	<u>\$ 565,124</u>	<u>\$ (24,906)</u>	<u>\$ 2,265,425</u>	<u>\$ 3,549,350</u>



FIDUCIARY FUNDS

PENSION TRUST FUNDS

Safety Retirement Fund - To account for the accumulation of resources to be used for retirement benefits for those police and fire employees hired between May 17, 1937 and May 28, 1965.

Service Retirement Fund - To account for the accumulation of resources to be used for retirement benefits for those police and fire employees hired between May 17, 1937 and May 28, 1965, and who were disabled due to job related injuries.

PRIVATE PURPOSE TRUST FUNDS

Library Gifts Fund - To account for gifts and bequests made to the City library. Funds are used for book replacement.

Canine Unit Fund - To account for contributions made for the Police's Canine Unit program.

Russ Morrison Fund - To account for contributions made from the Santa Barbara Athletic Roundtable for the sole purpose of promoting junior golf.

AGENCY FUNDS

California Law Enforcement Telecommunications System Fund - To account for moneys received from various participating public agencies for the purchase of computer equipment for communication with the California Law Enforcement Tracking System (CLETS).

Revolving Rehabilitation Loan Fund - To account for rehabilitation loans made by the City through the use of various funding sources.

Seismic Safety Assessment Fund - To account for the financial activities of the Seismic Assessment District #1.

CITY OF SANTA BARBARA
COMBINING STATEMENT OF PLAN NET ASSETS
PENSION TRUST FUNDS
June 30, 2008

	<u>Safety Retirement</u>	<u>Service Retirement</u>	<u>Total</u>
Assets			
Investments, at fair value			
Cash and investments with fiscal agent	\$ -	\$ 515,313	\$ 515,313
Liabilities			
Accrued benefits payable	5,132	-	5,132
Due to other Governments	320,432	-	320,432
Total Liabilities	<u>325,564</u>	<u>-</u>	<u>325,564</u>
Net assets			
Held in trust for pension benefits	<u>\$ (325,564)</u>	<u>\$ 515,313</u>	<u>\$ 189,749</u>

CITY OF SANTA BARBARA
COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS
PENSION TRUST FUNDS
Fiscal Year Ended June 30, 2008

	Safety Retirement	Service Retirement	Total
Additions			
Investment Income:			
Net appreciation (depreciation)			
in fair value of investments	\$ -	\$ (15,900)	\$ (15,900)
Refund of investment fees	-	37,058	37,058
Interest	-	12,710	12,710
Dividends	-	10,353	10,353
Total investment income	-	44,221	44,221
Less investment expenses:			
Banking, interest and fiscal agent expenses	(16,272)	(7,087)	(23,359)
Net investment income	(16,272)	37,134	20,862
Deductions			
Benefits	111,413	131,011	242,424
Total deductions	111,413	131,011	242,424
Net decrease	(127,685)	(93,877)	(221,562)
Net assets held in trust for pension benefits:			
Beginning of fiscal year	(197,879)	609,190	411,311
End of fiscal year	<u>\$ (325,564)</u>	<u>\$ 515,313</u>	<u>\$ 189,749</u>

CITY OF SANTA BARBARA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
June 30, 2008

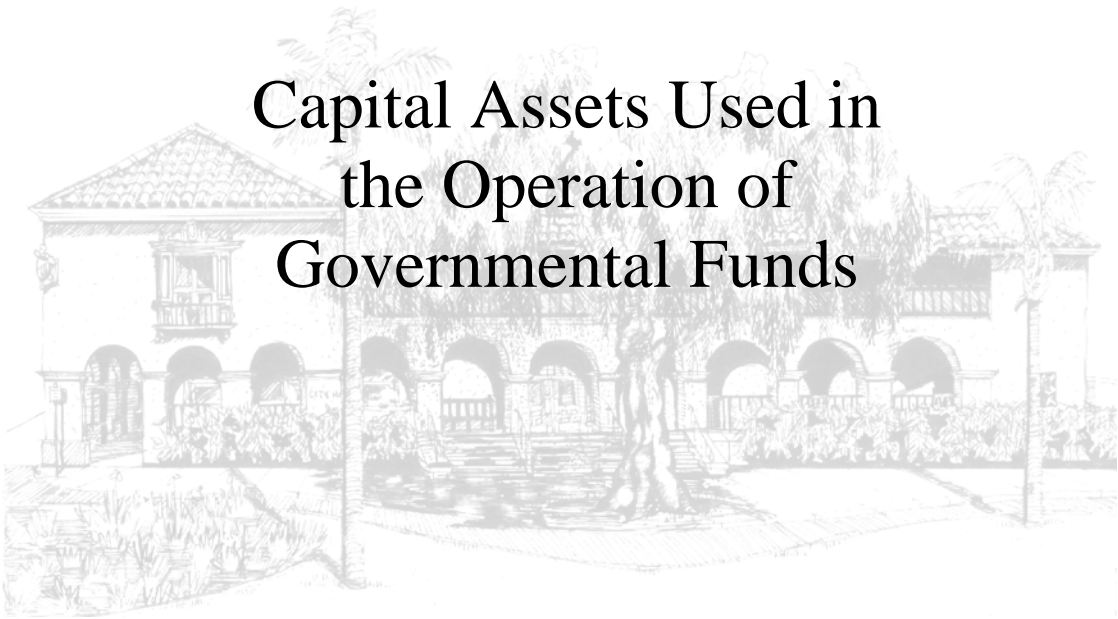
	Library Gifts	Canine Unit	Russ Morrison Trust	Total
Assets				
Cash and investments	\$ 2,465,942	\$ 23,967	\$ 1,235	\$ 2,491,144
Accounts receivable	-	-	303	303
	<u>2,465,942</u>	<u>23,967</u>	<u>1,538</u>	<u>2,491,447</u>
Liabilities				
Accounts payable	-	578	-	578
	<u>-</u>	<u>578</u>	<u>-</u>	<u>578</u>
Net Assets				
Held in trust	<u>\$ 2,465,942</u>	<u>\$ 23,389</u>	<u>\$ 1,538</u>	<u>\$ 2,490,869</u>

CITY OF SANTA BARBARA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
Fiscal Year Ended June 30, 2008

	Library Gifts	Canine Unit	Russ Morrison Trust	Total
Additions				
Use of money and property	\$ 105,010	\$ 1,225	\$ -	\$ 106,235
Contributions	55,660	18,313	-	73,973
Total additions	<u>160,670</u>	<u>19,538</u>	<u>-</u>	<u>180,208</u>
Deductions				
Community services	40,000	25,566	-	65,566
Net increase (decrease)	120,670	(6,028)	-	114,642
Net assets, beginning of fiscal year	<u>2,345,272</u>	<u>29,417</u>	<u>1,538</u>	<u>2,376,227</u>
Net assets, end of fiscal year	<u><u>\$ 2,465,942</u></u>	<u><u>\$ 23,389</u></u>	<u><u>\$ 1,538</u></u>	<u><u>\$ 2,490,869</u></u>

CITY OF SANTA BARBARA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
Fiscal Year Ended June 30, 2008

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
CALIFORNIA LAW ENFORCEMENT TELECOMMUNICATIONS SYSTEM:				
Assets:				
Accounts receivable	\$ 34,590	\$ -	\$ 13,877	\$ 20,713
Equipment	30,000	-	18,000	12,000
Total assets	<u>\$ 64,590</u>	<u>\$ -</u>	<u>\$ 31,877</u>	<u>\$ 32,713</u>
Liabilities:				
Accounts payable	\$ 970	\$ -	\$ 114	\$ 856
Due to other Governments	20,444	-	13,795	6,649
Trust liability	43,176	-	17,968	25,208
Total liabilities	<u>\$ 64,590</u>	<u>\$ -</u>	<u>\$ 31,877</u>	<u>\$ 32,713</u>
REVOLVING REHAB LOAN:				
Assets:				
Cash and investments	\$ 924,068	\$ 24,740	\$ -	\$ 948,808
Loans receivable	2,024,152	-	17,019	2,007,133
Total assets	<u>\$ 2,948,220</u>	<u>\$ 24,740</u>	<u>\$ 17,019</u>	<u>\$ 2,955,941</u>
Liabilities:				
Accounts payable	\$ 1,552	\$ 4	\$ -	\$ 1,556
Contributions	2,946,668	7,717	-	2,954,385
Total liabilities	<u>\$ 2,948,220</u>	<u>\$ 7,721</u>	<u>\$ -</u>	<u>\$ 2,955,941</u>
SEISMIC SAFETY ASSESSMENT FUND:				
Assets:				
Cash and investments	\$ 119,900	\$ 13,933	\$ -	\$ 133,833
Accounts receivable	4,639	-	4,639	-
Cash and investments held by fiscal agent	179,184	-	82,724	96,460
Total assets	<u>\$ 303,723</u>	<u>\$ 13,933</u>	<u>\$ 87,363</u>	<u>\$ 230,293</u>
Liabilities:				
Trust liability	303,723	-	73,430	230,293
Total liabilities	<u>\$ 303,723</u>	<u>\$ -</u>	<u>\$ 73,430</u>	<u>\$ 230,293</u>
TOTAL - ALL AGENCY FUNDS:				
Assets:				
Cash and investments	\$ 1,043,968	\$ 38,673	\$ -	\$ 1,082,641
Accounts receivable	39,229	-	18,516	20,713
Loans receivable	2,024,152	-	17,019	2,007,133
Equipment	30,000	-	18,000	12,000
Cash and investments held by fiscal agent	179,184	-	82,724	96,460
Total assets	<u>\$ 3,316,533</u>	<u>\$ 38,673</u>	<u>\$ 136,259</u>	<u>\$ 3,218,947</u>
Liabilities:				
Accounts payable	\$ 2,522	\$ 4	\$ 114	\$ 2,412
Due to other Governments	20,444	-	13,795	6,649
Trust liability	346,899	-	91,398	255,501
Contributions	2,946,668	7,717	-	2,954,385
Total liabilities	<u>\$ 3,316,533</u>	<u>\$ 7,721</u>	<u>\$ 105,307</u>	<u>\$ 3,218,947</u>



Capital Assets Used in the Operation of Governmental Funds

CITY OF SANTA BARBARA
CAPITAL ASSETS USED IN THE OPERATIONS OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE
Fiscal Year Ended June 30, 2008

	<u>Historic Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Governmental Funds Capital Assets			
Construction in progress	\$ 21,200,393	\$ -	\$ 21,200,393
Land	50,759,518	-	50,759,518
Streets	160,101,179	-	160,101,179
Buildings	45,431,544	12,344,352	33,087,192
Building Improvements	6,858,683	2,733,349	4,125,334
Improvements	38,603,779	21,729,325	16,874,454
Equipment	26,829,822	18,812,374	8,017,448
Infrastructure	117,185,386	52,029,295	65,156,091
Total governmental funds capital assets	<u>\$ 466,970,304</u>	<u>\$ 107,648,695</u>	<u>\$ 359,321,609</u>

This schedule presents the capital asset balances related to governmental funds and capital assets of governmental activities reported in the Internal Service funds. Generally, the capital assets of Internal Service funds are included in governmental activities in the Statement of Net Assets.

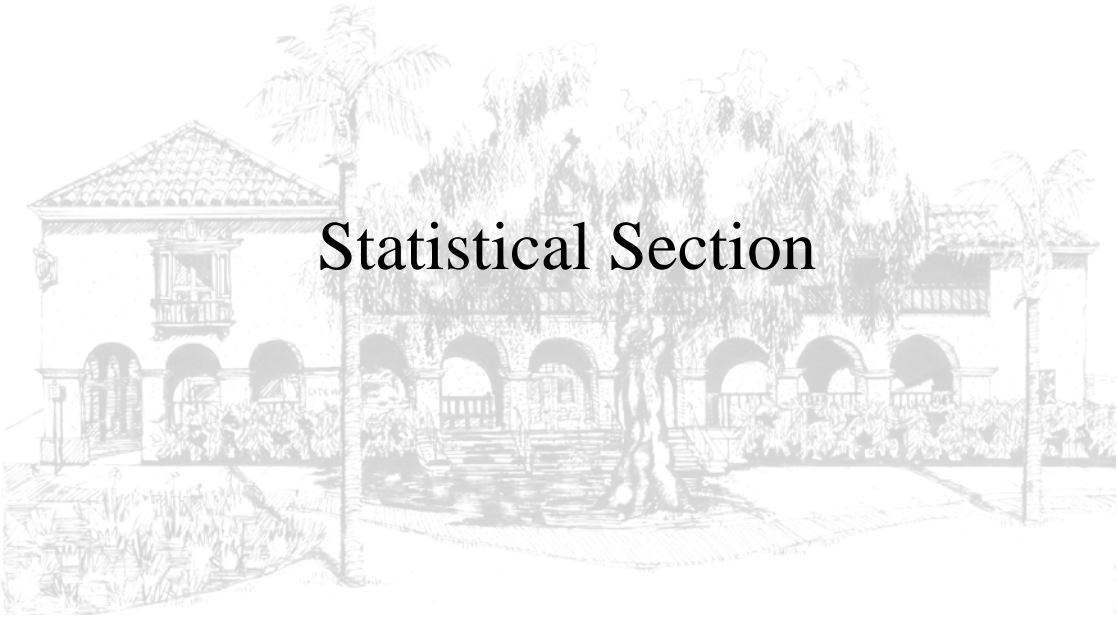
CITY OF SANTA BARBARA
CAPITAL ASSETS USED IN THE OPERATIONS OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
Fiscal Year Ended June 30, 2008

	Construction in Progress	Land	Streets	Buildings	Building Improvements	Improvements	Equipment	Infrastructure	Total
Function:									
City Attorney	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City Administrator's Office	-	1,473,424	-	158,716	291,444	-	1,473,953	-	3,397,537
Administrative Services	6,326	-	-	-	268,418	-	1,723,131	-	1,997,875
Finance	424,857	-	-	51,931	208,717	-	399,802	-	1,085,307
Public Safety	1,786,609	558,158	-	3,669,683	949,379	146,828	2,807,608	-	9,918,265
Public Works	10,993,942	1,406,279	160,101,179	1,609,534	477,391	4,318,404	18,837,449	110,829,652	308,573,830
Community Services	1,206,975	6,891,746	-	9,919,005	3,974,167	8,389,081	1,256,291	2,303,015	33,940,280
Community Development	6,781,684	40,429,911	-	30,022,675	689,167	25,749,466	331,588	4,052,719	108,057,210
Total governmental funds capital assets	<u>\$ 21,200,393</u>	<u>\$50,759,518</u>	<u>\$160,101,179</u>	<u>\$45,431,544</u>	<u>\$ 6,858,683</u>	<u>\$ 38,603,779</u>	<u>\$26,829,822</u>	<u>\$117,185,386</u>	<u>\$466,970,304</u>

CITY OF SANTA BARBARA
CAPITAL ASSETS USED IN THE OPERATIONS OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
Fiscal Year Ended June 30, 2008

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Function:				
City Attorney	\$ -	\$ -	\$ -	\$ -
City Administrator's Office	3,106,093	291,444	-	3,397,537
Administrative Services	1,997,875		-	1,997,875
Finance	660,450	424,857	-	1,085,307
Public Safety	8,840,519	1,077,746	-	9,918,265
Public Works	299,492,275	10,739,468	(1,657,913)	308,573,830
Community Services	32,539,923	1,517,315	(116,958)	33,940,280
Community Development	104,247,560	4,721,547	(911,897)	108,057,210
Total governmental funds capital assets	<u>\$ 450,884,695</u>	<u>\$ 18,772,377</u>	<u>\$ (2,686,768)</u>	<u>\$ 466,970,304</u>





STATISTICAL SECTION

This part of the City of Santa Barbara's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents	Page
Financial Trends <i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	132
Revenue Capacity <i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	139
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	143
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	148
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	150

Source: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

City of Santa Barbara
Net assets by Component
Last Seven Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Governmental activities							
Invested in capital assets, net of related debt	\$23,763	\$63,294	\$73,738	\$80,483	\$301,827	\$305,449	\$319,070
Restricted	83,447	62,650	59,941	70,888	77,906	85,569	89,964
Unrestricted	50,741	33,516	31,314	24,228	33,815	36,228	36,948
Total governmental activities net assets	<u>\$157,951</u>	<u>\$159,460</u>	<u>\$164,993</u>	<u>\$175,599</u>	<u>\$413,548</u>	<u>\$427,246</u>	<u>\$445,982</u>
Business-type activities							
Invested in capital assets, net of related debt	\$126,385	\$138,066	\$139,780	\$135,336	\$245,095	\$255,451	\$275,594
Restricted	4,240	-	-	4,704	4,266	12,303	9,784
Unrestricted	66,958	59,199	64,564	75,088	78,148	84,159	87,716
Total business-type activities net assets	<u>\$197,583</u>	<u>\$197,265</u>	<u>\$204,344</u>	<u>\$215,128</u>	<u>\$327,509</u>	<u>\$351,913</u>	<u>\$373,094</u>
Primary government							
Invested in capital assets, net of related debt	\$150,148	\$201,360	\$213,518	\$215,819	\$546,922	\$560,900	\$594,664
Restricted	87,687	62,650	59,941	75,592	82,172	97,872	99,748
Unrestricted	117,699	92,715	95,878	99,316	111,963	120,387	124,664
Total primary government net assets	<u>\$355,534</u>	<u>\$356,725</u>	<u>\$369,337</u>	<u>\$390,727</u>	<u>\$741,057</u>	<u>\$779,159</u>	<u>\$819,076</u>

City of Santa Barbara
Changes in Net Assets
Last Five Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

Expenses	Fiscal Year				
	2004	2005	2006	2007	2008
Governmental activities:					
Administration	\$10,094	\$10,139	\$11,385	\$12,329	\$12,197
Public safety	42,653	45,653	48,836	51,186	54,395
Public works	18,235	19,915	39,887	45,284	44,528
Community services	20,778	19,607	20,959	22,032	22,983
Community development	16,528	17,002	20,804	17,939	19,948
Interest on long-term debt	3,506	4,081	4,069	3,810	3,408
Total governmental activities expenses	<u>111,794</u>	<u>116,397</u>	<u>145,940</u>	<u>152,580</u>	<u>157,459</u>
Business-type activities:					
Water	22,842	23,169	25,937	27,311	27,415
Wastewater	9,902	10,909	12,618	13,253	14,560
Airport	12,812	11,786	13,499	14,862	16,307
Waterfront	10,921	10,164	10,778	11,004	11,054
Parking	4,582	4,925	5,839	6,018	6,262
Golf course	1,825	1,877	1,924	2,033	2,086
Total business-type activities expenses	<u>62,884</u>	<u>62,830</u>	<u>70,595</u>	<u>74,481</u>	<u>77,684</u>
Total primary government expenses	<u>\$174,678</u>	<u>\$179,227</u>	<u>\$216,535</u>	<u>\$227,061</u>	<u>\$235,143</u>
Program Revenues					
Governmental activities:					
Charges for services:					
Administration	\$1,349	\$1,600	\$1,825	\$1,982	\$1,845
Public safety	7,313	8,092	9,186	9,195	9,401
Public works	5,707	7,822	21,781	22,255	23,902
Community services	4,552	4,699	4,784	4,945	5,211
Community development	4,094	4,259	5,670	5,548	5,608
Operating grants and contributions	11,064	10,006	12,447	15,979	15,099
Capital grants and contributions	2,821	3,599	2,313	4,178	8,733
Total governmental activities program revenues	<u>36,900</u>	<u>40,077</u>	<u>58,006</u>	<u>64,082</u>	<u>69,799</u>
Business-type activities:					
Charges for services:					
Water	25,153	26,492	27,410	30,477	32,610
Wastewater	10,120	11,379	12,096	12,559	13,449
Airport	12,268	13,187	13,939	14,861	15,451
Waterfront	9,625	9,899	10,253	10,894	11,177
Parking	4,844	4,968	5,859	6,592	6,669
Golf course	2,046	1,976	2,060	2,231	2,245
Operating grants and contributions	9	13	57	115	145
Capital grants and contributions	5,163	3,440	12,382	17,155	11,861
Total business-type activities program revenues	<u>69,228</u>	<u>71,354</u>	<u>84,056</u>	<u>94,884</u>	<u>93,607</u>
Total primary government program revenues	<u>\$106,128</u>	<u>\$111,431</u>	<u>\$142,062</u>	<u>\$158,966</u>	<u>\$163,406</u>

(Continued)

	Fiscal Year				
	2004	2005	2006	2007	2008
Net (expense)/revenue					
Governmental activities	(\$74,894)	(\$76,320)	(\$87,934)	(\$88,498)	(\$87,660)
Business-type activities	6,344	8,524	13,461	20,403	15,923
Total primary government net expense	<u>(\$68,550)</u>	<u>(\$67,796)</u>	<u>(\$74,473)</u>	<u>(\$68,095)</u>	<u>(\$71,737)</u>
General Revenues and Other Changes in					
Net Assets					
Governmental activities:					
Taxes					
Property	\$24,142	\$30,022	\$34,078	37,871	40,520
Sales & use	18,420	18,949	19,968	19,927	20,838
Transient occupancy	12,439	13,298	14,439	15,409	15,523
Utility users	11,325	11,977	12,422	13,133	12,525
Business license	1,926	2,037	2,169	2,214	2,252
Real property transfer	709	719	685	646	452
Franchise fees	2,056	2,124	3,260	3,583	3,181
Unrestricted motor vehicle license-in-lieu	4,569	2,297	659	853	418
Investment income	2,888	3,410	3,955	4,762	6,643
Other revenue	1,953	2,024	4,384	3,111	3,862
Transfers	-	70	12	687	182
Total governmental activities	<u>80,427</u>	<u>86,927</u>	<u>96,031</u>	<u>102,196</u>	<u>106,396</u>
Business-type activities:					
Investment earnings	735	2,329	2,836	4,687	5,440
Transfers	-	(70)	(12)	(687)	(182)
Total business-type activities	<u>735</u>	<u>2,259</u>	<u>2,824</u>	<u>4,000</u>	<u>5,258</u>
Total primary government	<u>\$81,162</u>	<u>\$89,186</u>	<u>\$98,855</u>	<u>\$106,196</u>	<u>\$111,654</u>
Change in Net Assets					
Governmental activities	\$5,533	\$10,607	\$8,097	\$13,698	\$18,736
Business-type activities	7,079	10,783	16,285	24,403	21,181
Total primary government	<u>\$12,612</u>	<u>\$21,390</u>	<u>\$24,382</u>	<u>\$38,101</u>	<u>\$39,917</u>

City of Santa Barbara
Governmental Activities Tax Revenues By Source
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

Fiscal Year	Property Tax	Sales & Use Tax	Transient Occupancy Tax	Utility Users Tax	Trans- portation Tax	Business License Tax	Gas Tax	Real Property Transfer Tax	Total
1999	\$16,761	\$16,364	\$8,685	\$8,330	\$3,440	\$1,566	\$1,620	\$372	\$57,138
2000	17,751	17,326	9,392	8,911	3,745	1,666	1,618	372	60,781
2001	19,883	18,237	11,099	9,737	4,587	1,682	1,810	339	67,374
2002	21,366	17,511	11,805	9,996	4,897	1,769	1,668	307	69,319
2003	23,224	17,904	11,837	11,166	4,173	1,832	1,698	875	72,709
2004	24,142	18,420	12,439	11,325	4,621	1,926	1,679	709	75,261
2005	30,022	18,949	13,298	11,977	4,502	2,037	1,684	719	83,188
2006	34,078	19,968	14,439	12,422	4,632	2,169	1,649	685	90,042
2007	37,871	19,927	15,409	13,133	4,877	2,214	1,643	646	95,720
2008	40,520	20,838	15,523	12,525	4,778	2,252	1,598	452	98,486

City of Santa Barbara
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Fund										
Reserved	\$5,453	\$5,696	\$6,742	\$7,101	\$6,120	\$4,720	\$4,395	\$4,866	\$5,175	\$7,060
Unreserved	26,584	29,863	31,099	29,899	29,859	28,147	25,428	24,949	23,033	17,965
Total general fund	<u>\$32,037</u>	<u>\$35,559</u>	<u>\$37,841</u>	<u>\$37,000</u>	<u>\$35,979</u>	<u>\$32,867</u>	<u>\$29,823</u>	<u>\$29,815</u>	<u>\$28,208</u>	<u>\$25,025</u>
All other governmental funds										
Reserved	\$42,331	\$46,210	\$47,739	\$87,923	\$92,211	\$123,964	\$130,317	\$117,371	\$114,672	\$118,960
Unreserved, reported in:										
Special revenue funds	(2,435)	(1,219)	183	543	511	90	(1,390)	(977)	1,346	2,582
Capital projects funds	7,546	7,306	9,230	10,370	7,416	4,032	539	-	-	-
Total all other governmental funds	<u>\$47,442</u>	<u>\$52,297</u>	<u>\$57,152</u>	<u>\$98,836</u>	<u>\$100,138</u>	<u>\$128,086</u>	<u>\$129,466</u>	<u>\$116,394</u>	<u>\$116,018</u>	<u>\$121,542</u>

City of Santa Barbara
Change in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Revenues										
Taxes	\$57,138	\$60,781	\$67,374	\$69,319	\$72,709	\$75,262	\$83,188	\$90,142	\$96,004	\$98,515
Franchise fees	1,582	1,634	1,784	2,067	2,050	2,383	2,497	3,260	3,583	3,181
Intergovernmental	11,976	9,851	16,844	12,754	12,567	10,278	8,060	7,412	12,956	16,698
Fines and forfeitures	2,112	2,309	2,265	2,649	2,924	3,792	4,072	4,547	4,016	4,335
Use of money and property	3,508	4,256	6,929	6,417	5,019	3,297	3,758	4,361	5,173	6,632
Charges for services	13,559	13,484	15,070	11,781	11,915	13,998	15,562	32,365	33,399	35,478
Program income	746	669	845	484	663	746	845	420	512	283
Other revenues	7,067	4,342	1,059	5,334	5,759	6,713	6,590	10,046	8,610	9,234
Total revenues	97,688	97,326	112,170	110,805	113,606	116,469	124,572	152,553	164,253	174,356
Expenditures										
General government/administration	8,850	9,741	10,644	9,902	9,663	9,656	9,806	11,025	12,008	12,007
Public safety	29,464	30,743	33,419	37,630	37,334	42,081	45,035	47,772	50,349	54,109
Public works	16,498	11,995	12,464	15,029	14,764	17,233	19,025	31,278	37,677	38,615
Community services	14,830	15,470	16,859	16,690	16,356	18,880	18,077	18,870	20,044	21,420
Community development	8,741	9,382	10,097	12,477	13,762	13,507	14,224	17,599	16,144	18,014
Capital outlay	8,857	5,028	12,389	7,521	11,960	7,334	15,775	28,434	19,217	17,169
Community promotions	1,758	1,954	2,003	2,295	2,252	2,267	2,439	2,253	2,373	1,884
Debt service										
Principal	3,350	3,540	3,735	4,490	4,239	5,415	4,750	5,411	5,571	5,076
Interest	2,491	2,305	2,110	2,974	3,350	3,259	3,935	3,904	3,687	3,459
Other charges	-	-	-	-	-	941	305	-	-	-
Total expenditures	94,839	90,158	103,720	109,008	113,680	120,573	133,371	166,546	167,070	171,753
Excess of revenues over (under) expenditures	2,849	7,168	8,450	1,797	(74)	(4,104)	(8,799)	(13,993)	(2,817)	2,603

(Continued)

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Other financing sources (uses)										
Transfers in	\$13,134	\$15,103	\$15,779	\$24,630	\$16,993	\$14,387	\$14,115	\$11,563	\$19,202	\$16,291
Transfers out	(12,933)	(15,070)	(15,287)	(24,373)	(16,638)	(13,846)	(14,164)	(11,400)	(18,368)	(16,553)
Proceeds from bond issuance	-	-	-	37,790	-	28,399	7,184	-	-	-
Total other financing sources (uses)	201	33	492	38,047	355	28,940	7,135	163	834	(262)
Net change in fund balances	<u>\$3,050</u>	<u>\$7,201</u>	<u>\$8,942</u>	<u>\$39,844</u>	<u>\$281</u>	<u>\$24,836</u>	<u>(\$1,664)</u>	<u>(\$13,830)</u>	<u>(\$1,983)</u>	<u>\$2,341</u>
Debt service as a percentage of noncapital expenditures	6.79%	6.87%	6.40%	7.78%	7.67%	8.88%	8.71%	7.87%	6.93%	7.88%

City of Santa Barbara
General Governmental Tax Revenues By Source
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

Fiscal Year	Sales & Use Tax	Utility Users Tax	Property Tax	Real Property Transfer Tax	Transient Occupancy Tax	Business License tax	Trans- portation Tax	Gas tax	Total
1999	\$16,364	\$8,330	\$16,761	\$372	\$8,685	\$1,566	\$3,440	\$1,620	\$57,138
2000	17,326	8,911	17,751	372	9,392	1,666	3,745	1,618	60,781
2001	18,237	9,737	19,883	339	11,099	1,682	4,587	1,810	67,374
2002	17,511	9,996	21,366	307	11,805	1,769	4,897	1,668	69,319
2003	17,904	11,166	23,224	875	11,837	1,832	4,173	1,698	72,709
2004	18,420	11,325	24,143	709	12,439	1,926	4,621	1,679	75,262
2005	18,949	11,977	30,022	719	13,298	2,037	4,502	1,684	83,188
2006	20,068	12,422	34,078	685	14,439	2,169	4,632	1,649	90,142
2007	20,211	13,132	37,871	646	15,409	2,215	4,877	1,643	96,004

City of Santa Barbara
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year	City				Redevelopment Agency				Total Direct Tax Rate
	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	
1999	\$6,991,302	\$526,227	(\$552,040)	\$6,965,489	\$828,526	\$181,872	(\$42,437)	\$967,961	1.00%
2000	7,489,424	497,403	(580,768)	7,406,059	863,742	189,602	(44,240)	1,009,104	1.00%
2001	8,032,015	597,443	(579,933)	8,049,525	1,022,931	215,719	(52,137)	1,186,513	1.00%
2002	8,641,674	637,216	(622,514)	8,656,376	1,094,347	227,297	(54,310)	1,267,334	1.00%
2003	9,262,486	703,068	(663,027)	9,302,527	1,164,940	237,653	(55,639)	1,346,954	1.00%
2004	9,986,688	741,575	(714,976)	10,013,287	1,218,914	248,409	(77,833)	1,389,490	1.00%
2005	10,768,306	738,641	(708,983)	10,797,964	1,303,295	250,008	(82,652)	1,470,651	1.00%
2006	11,921,748	738,200	(802,033)	11,857,915	1,415,448	256,338	(93,142)	1,578,644	1.00%
2007	13,005,939	757,276	(794,226)	12,968,989	1,532,199	288,274	(99,693)	1,720,780	1.00%
2008	13,996,764	775,075	(947,703)	13,824,136	1,851,532	336,783	(150,558)	2,037,757	1.00%

Note: In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Sources: Santa Barbara County Auditor-Controller

City of Santa Barbara
Direct and Overlapping Property Tax Rates
(Rate per \$100 of assessed value)
Last Ten Fiscal Years

Fiscal Year	<u>Direct Rates</u>	<u>Overlapping Rates</u>		<u>Total</u>
	<u>General</u>	<u>City Bonds</u>	<u>Schools Bonds</u>	
1999	\$1.000	\$ -	\$0.022	\$1.022
2000	1.000	-	0.019	1.019
2001	1.000	-	0.027	1.027
2002	1.000	-	0.028	1.028
2003	1.000	-	0.027	1.027
2004	1.000	-	0.025	1.025
2005	1.000	-	0.021	1.021
2006	1.000	-	0.026	1.026
2007	1.000	-	0.026	1.026
2008	1.000	-	0.026	1.026

City of Santa Barbara
Principal Property Tax Payers
Current Year and Nine Years Ago
(amounts expressed in thousands)

Taxpayer	Fiscal Year 2008		Fiscal Year 1999	
	Taxable Net Assessed Value	Percentage of Total Taxable Net Assessed Value	Taxable Net Assessed Value	Percentage of Total Taxable Net Assessed Value
Paseo Nuevo Association ⁽¹⁾	\$90,327	0.70%	\$51,743	0.80%
Parker Fess Doubletree Hotel	77,695	0.60%	66,397	1.03%
FW CA-Five Points Shopping Center, LLC	48,684	0.38%	-	0.00%
Nettleship Patricia S Trust	43,107	0.33%	22,238	0.35%
MCC BB Property, LLC	40,383	0.31%	-	0.00%
Due West, LLC	28,429	0.22%	-	0.00%
HDG Associates	28,109	0.22%	21,709	0.34%
Riviera Dairy Products	25,340	0.20%	15,454	0.24%
Ralphs Grocery Co	24,946	0.19%	-	0.00%
El Encanto, Inc	23,334	0.18%	-	0.00%
AMB Retail Income Fund Inc	-	0.00%	25,732	0.40%
Union Pacific Railroad Company	-	0.00%	17,599	0.27%
New York Times Company	-	0.00%	13,462	0.21%
ESJ Centers	18,707	0.14%	22,127	0.34%
Pini Dario	15,533	0.12%	12,538	0.19%
Old Town Mall	-	0.00%	12,454	0.19%
	<u>\$464,594</u>	<u>3.58%</u>	<u>\$281,453</u>	<u>4.38%</u>

(1) The City's Redevelopment Agency owns the property and leases the property to the Paseo Nuevo Mall Association which is responsible for the payment of property taxes related thereto.

City of Santa Barbara
Property Tax Levies and Collections
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1999	\$16,761	\$16,761	100%	\$ -	\$16,761	100%
2000	17,751	17,751	100%	-	17,751	100%
2001	19,883	19,883	100%	-	19,883	100%
2002	21,366	21,366	100%	-	21,366	100%
2003	23,224	23,224	100%	-	23,224	100%
2004	24,143	24,143	100%	-	24,143	100%
2005	30,022	30,022	100%	-	30,022	100%
2006	34,078	34,078	100%	-	34,078	100%
2007	37,871	37,871	100%	-	37,871	100%
2008	40,520	40,520	100%	-	40,520	100%

City of Santa Barbara
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years
(amounts expressed in thousands, except per capita amount)

Fiscal Year	Governmental Activities			Business-Type Activities				Total Primary Government	Percentage of Personal Income¹	Per Capita¹
	Certificates of Participation	Tax Allocation Bonds	Loans	Water Revenue Bonds	Wastewater Revenue Bonds	Certificates of Participation	Loans			
1999	\$4,280	\$36,160	\$ -	\$8,150	\$2,120	\$41,535	\$5,510	\$97,755	0.87%	\$1,074
2000	4,150	32,750	-	7,805	1,720	40,955	5,111	92,491	0.78%	1,004
2001	4,015	29,150	-	7,445	1,310	40,345	4,695	86,960	0.67%	951
2002	4,184	63,660	-	7,070	885	35,296	4,268	115,363	0.88%	1,272
2003	3,930	59,675	-	6,675	450	35,710	8,464	114,904	0.88%	1,270
2004	3,726	82,035	-	6,255	-	34,734	21,899	148,649	1.09%	1,641
2005	3,511	84,650	750	5,820	19,735	33,739	34,776	182,981	1.26%	2,021
2006	3,290	79,460	750	5,360	19,210	32,710	37,229	178,009	1.10%	1,988
2007	3,069	74,110	750	4,880	18,665	31,656	40,303	173,433	1.02%	1,939
2008	2,838	69,265	750	4,370	18,100	30,557	38,269	164,149	0.88%	1,818

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

¹ See the Schedule of Demographic and Economic Statistics on page 148 for personal income and population data.

City of Santa Barbara
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(amounts expressed in thousands, except per capita amount)

Fiscal Year	Certificates of Participation	Tax Allocation Bonds	Loans	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value¹ of Property	Per Capita²
1999	\$4,280	\$36,160	\$ -	\$5,488	\$34,952	0.50%	\$384
2000	4,150	32,750	-	5,485	31,415	0.42%	341
2001	4,015	29,150	-	5,514	27,651	0.34%	302
2002	4,184	63,660	-	5,412	62,432	0.72%	688
2003	3,930	59,675	-	5,342	58,263	0.63%	644
2004	3,726	82,035	-	1,247	84,514	0.84%	933
2005	3,511	84,650	750	1,251	87,660	0.81%	968
2006	3,290	79,460	750	1,258	82,242	0.69%	918
2007	3,069	74,110	750	1,260	76,669	0.59%	857
2008	2,838	69,265	750	561	72,292	0.52%	801

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

¹ See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on page 139 for property value data.

² Population data can be found in the Schedule of Demographic and Economic Statistics on page 148.

City of Santa Barbara
Direct and Overlapping Governmental Activities Debt
as of June 30, 2008
(amounts expressed in thousands)

2007-08 Assessed Valuation	\$14,771,839
Redevelopment Agency Incremental Valuation	2,188,315
Adjusted Assessed Valuation	<u><u>\$12,583,524</u></u>

	Debt Outstanding	Estimated Percentage Applicable¹	Estimated Share of Overlapping Debt
<u>Overlapping Debt Repaid with Property Taxes</u>			
Santa Barbara School Districts	\$84,117	100%	\$84,117
Total overlapping debt repaid with property taxes	<u><u>\$84,117</u></u>		<u><u>\$84,117</u></u>
<u>Direct and Overlapping General Obligation Debt</u>			
Santa Barbara County General Fund Obligations	\$56,460	21%	\$11,894
City of Santa Barbara Certificates of Participation	4,300	100%	4,300
Total direct and overlapping general obligation debt	<u><u>\$60,760</u></u>		<u><u>\$16,194</u></u>
Total direct and overlapping debt			<u><u>\$100,311</u></u>
<u>Ratio to 2007-08 Assessed Valuation</u>			
Total direct and overlapping debt			0.68%

Notes:

Details regarding the city's outstanding debt can be found in the notes to the financial statements.

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account.

¹ Population estimates for the City and County were used to calculate the estimated percentage applicable of the overlapping debt. Of the County's 428,655 population, 21% (or 90,018) reside within the city's boundaries.

Sources: County of Santa Barbara

**City of Santa Barbara
Legal Debt Margin Information
Last Ten Fiscal Years
(amounts expressed in thousands)**

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Assessed valuation	\$7,517,529	\$7,986,827	\$8,629,458	\$9,278,890	\$9,965,554	\$10,728,263	\$11,506,947	12,659,948	\$13,763,215	\$14,771,839
Coverage percentage	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
Adjusted assessed valuation	\$1,879,382	\$1,996,707	\$2,157,365	\$2,319,723	\$2,491,389	\$2,682,066	\$2,876,737	\$3,164,987	\$3,440,804	\$3,692,960
Debt limit percentage	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
Debt limit	\$281,907	\$299,506	\$323,605	\$347,958	\$373,708	\$402,310	\$431,511	\$474,748	\$516,121	\$553,944
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$281,907</u>	<u>\$299,506</u>	<u>\$323,605</u>	<u>\$347,958</u>	<u>\$373,708</u>	<u>\$402,310</u>	<u>\$431,511</u>	<u>\$474,748</u>	<u>\$516,121</u>	<u>\$553,944</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

City of Santa Barbara
Pledged-Revenue Coverage
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year	Water Revenue Bonds						Wastewater Revenue Bonds						Tax Allocation Bonds			
	Water Revenue	Less	Net	Debt Service			Waste- water Revenue	Less	Net	Debt Service			Tax Increment	Debt Service		
		Operating Expenses	Available Revenue	Principal	Interest	Coverage		Operating Expenses	Available Revenue	Principal	Interest	Coverage		Principal	Interest	Coverage
1999	\$21,699	\$14,332	\$7,367	\$325	\$399	10.18	\$9,047	\$5,682	\$3,365	\$385	\$84	7.17	\$9,235	\$3,225	\$2,235	1.69
2000	22,888	12,429	10,459	345	383	14.37	9,092	6,670	2,422	400	69	5.16	9,624	3,410	2,058	1.76
2001	22,517	15,072	7,445	360	366	10.25	8,975	6,639	2,336	410	52	5.06	11,183	3,600	1,868	2.05
2002	22,813	17,931	4,882	375	348	6.75	8,802	8,177	625	425	35	1.36	11,853	4,345	2,739	1.67
2003	23,172	18,149	5,023	395	330	6.93	9,495	8,423	1,072	435	21	2.35	12,851	3,985	3,239	1.78
2004	25,153	18,194	6,959	420	310	9.53	10,120	7,920	2,200	450	-	4.89	12,945	5,210	3,075	1.56
2005	26,492	18,547	7,945	435	290	10.96	11,379	8,284	3,095	675	680	2.28	13,946	4,535	3,701	1.69
2006	27,410	19,770	7,640	460	268	10.49	12,096	8,828	3,268	525	829	2.41	15,273	5,190	3,733	1.71
2007	30,477	20,170	10,307	480	246	14.20	12,559	9,320	3,239	545	808	2.39	16,831	5,350	3,522	1.90
2008	32,610	21,351	11,259	510	222	15.38	13,471	10,718	2,753	565	789	2.03	18,081	4,845	3,302	2.22

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest or depreciation expenses.

**City of Santa Barbara
Demographic and Economic Statistics
Last Ten Fiscal Years**

Fiscal Year	City Population ⁽¹⁾	Personal Income (in millions) ⁽²⁾	Per Capita Personal Income ⁽²⁾	June 30 Unemployment Rate ⁽³⁾
1999	91,000	\$11,301	\$28,629	3.4%
2000	92,100	11,890	29,957	4.2%
2001	91,429	12,911	32,297	3.9%
2002	90,696	13,107	32,693	4.9%
2003	90,464	13,059	32,496	5.0%
2004	90,569	13,677	33,942	4.6%
2005	90,518	15,389	38,313	4.1%
2006	89,548	16,231	40,486	4.0%
2007	89,456	16,968	42,385	4.2%
2008	90,305	18,642	46,120	5.1%

Notes:

(2) (3) Data shown is for the metropolitan statistical area of Santa Barbara-Santa Maria.

Sources:

(1) California Department of Finance, Demographic Research Unit

(2) U.S. Department of Commerce, Bureau of Economic Analysis

(3) California Employment Development Department

City of Santa Barbara
Principal Employers
Ten Largest Employers - South Santa Barbara County
Current Year and Nine Years Ago

Employer	As of June 30, 2008		As of June 30, 1999	
	Number of Employees	Percentage of Total City Employment	Number of Employees	Percentage of Total City Employment
University of California, Santa Barbara	9,723	17.68%	8,912	17.44%
County of Santa Barbara	4,269	7.76%	4,484	8.77%
Santa Barbara Cottage Hospital	2,762	5.02%	1,818	3.56%
Santa Barbara City Community College	2,157	3.92%	1,500	2.94%
Santa Barbara School District Admin.	1,618	2.94%	1,645	3.22%
Raytheon/ E-Systems	1,613	2.93%	800	1.57%
Sansum Medical Foundation Clinic	1,100	2.00%	943	1.85%
City of Santa Barbara	1,084	1.97%	1,030	2.02%
US Postal Service	830	1.51%	1,085	2.12%
Santa Barbara Bank & Trust	775	1.41%	1,100	2.15%
	<u>25,931</u>	<u>47.15%</u>	<u>23,317</u>	<u>45.63%</u>

Source: Santa Barbara Chamber of Commerce

City of Santa Barbara
Full-time Equivalent City Government Employees by Function
Last Five Fiscal Years

Function	Full-time Equivalent Employees as of June 30				
	2004	2005	2006	2007	2008
Administration	111	111	107	110	113
Public safety	343	343	333	329	328
Public works	135	138	142	142	143
Community services	135	135	134	137	141
Community development	84	85	88	88	89
Water	59	56	60	64	68
Wastewater	55	55	53	53	53
Airport	50	51	53	53	54
Waterfront	46	46	46	46	46
Parking	31	31	32	34	36
Golf course	12	12	13	13	13
Total	<u>1,061</u>	<u>1,063</u>	<u>1,061</u>	<u>1,069</u>	<u>1,084</u>

Source: City's Human Resources Department

City of Santa Barbara
Operating Indicators by Function
Last Three Fiscal Years

<u>Function</u>	<u>Fiscal Year 2006</u>	<u>Fiscal Year 2007</u>	<u>Fiscal Year 2008</u>
Police			
Criminal citations issued	1,990	2,209	2,013
Parking citations	64,300	54,928	60,984
Street sweeping citations	35,392	32,065	33,017
Fire			
Number of calls received	7,302	7,441	7,500
Engine company fire inspections	946	1334	1417
Public works			
Street resurfacing (miles)	75	70	60
Tons of debris collected by street sweepers	1,056	1,545	1,673
Community services			
Facility permits processed	870	982	1026
Library items checked out	726,375	740,703	730,598
Community development			
Building inspections completed	14,400	12,909	11,047
Total permits issued	3,000	2,478	2,704
Water			
Million gallons water treated	7,790	7,424	7,909
Percent of drinking water regulations met	100%	100%	100%
Wastewater			
Million gallons waste water treated	3,100	2,774	2,875
Miles of wastewater collection system pipes cleaned	200	202	206
Percent of discharge requirements met	99%	100%	99%
Airport			
Total number of annual passengers	858,352	832,396	833,164
Annual tons of airfreight	3,019	3,053	2,948
Waterfront			
Number of lease contracts managed	58	60	67
Number of parking permits distributed	677,731	720,184	756,377
Parking			
Vehicles parked in city lots	4,042,042	4,414,764	4,290,998
Golf course			
Rounds of golf	76,600	78,532	74,484

Source: Various City Departments

City of Santa Barbara
Capital Asset Statistics by Function
Last Three Fiscal Years

<u>Function</u>	<u>Fiscal Year 2006</u>	<u>Fiscal Year 2007</u>	<u>Fiscal Year 2008</u>
Police			
Stations	1	1	1
Fire			
Stations	8	8	8
Public works			
Streets (miles)	238	238	238
Concrete installed-sidewalk, curb and gutter (sq ft.)	21,007	18,382	14,661
Community services			
Parks acreage	1,765	1,765	1765
Parks	59	59	59
Swimming pools	2	2	2
Tennis courts	34	34	34
Community buildings	8	8	8
Libraries	2	2	2
Number of volumes (books, periodicals, tapes, etc.)	770,000	720,000	745,000
Water			
Number of reservoirs	14	14	13
Number of pump stations	12	12	12
Number of treatment plants	2	2	2
Number of wells	9	9	9
Wastewater			
Number of treatment plants	1	1	1
Number of lift stations	10	10	9
Airport			
Runways and Taxiways, paved surface (sq. footage)	5,793,480	6,011,280	6,842,079
Waterfront			
Number of harbor slips	1,133	1,133	1,133
Parking			
Number of parking structures and lots	14	14	14
Number of parking spaces	3,595	3,595	3,595

Source: Various City Departments